

## **BUILDING COMMUNITY-BASED ENTREPRENEURSHIP: A CASE STUDY ON KILIM COOPERATIVE SOCIETY (KCS)**

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### **1.0 ECOTOURISM AND ENTREPRENEURSHIP**

Ecotourism is a nature-based type of tourism industry. The United Nations (UN) and the World Trade Organization (WTO) have predicted that ecotourism will become the world's biggest industry in the future (Kaur, 2006). The respective governments of many countries have used ecotourism products to promote tourism (Lew, 1997; Aderhold, 1996) and generate profits. For example, in Malaysia, ecotourism currently accounts for 10% of the country's tourism revenue (Vasanth, 2005). Local communities play very significant roles at the earlier stage of tourist destination development by being involved in the process of providing services to tourists. Community involvement in entrepreneurship is based on cultural values, economic factors, and the relationship between the entrepreneurs and the community itself (Jones, 2000). Fligstein (2001) argues that the community's function is to procure the essential resources using the networks found within the community.

Peredo (2006: p. 310) defines community-based entrepreneurship (CBE) "*as a community acting corporately as both entrepreneur and enterprise in pursuit of the common good.*" A CBE is a profit-oriented business enterprise (Taylor, 1999). Cooperatives are non-profit associations owned by members to create social values for their community based on the sharing of profits and risks (Zhao & Gijssels, 2011; Costa, 2012; Kalogeras, 2007). The role of cooperatives is to look for access to social capital to sustain mutual support of its members and gain capital for them (Clamp & Alhamis, 2010). The objective of the current paper is to explore the development of CBE in Kilim, Langkawi.

### **2.0 A CASE STUDY OF KILIM COOPERATIVE SOCIETY (KCS)**

In June 2007, all 99 islands of the Langkawi archipelago were inducted into the UNESCO Global Geoparks Network, providing much needed international recognition for this group of islands. Kilim Karst Geopark is one of the three designated areas in the Langkawi Geopark, which has been recognized as a UNESCO Global Geoparks Network since 2007. This recognition has since helped the Government re-brand Langkawi as a "Geopark Island." As a result of recent efforts, tourist arrivals to Langkawi reached 6 million in 2011, demonstrating a sharp increase compared with visitors from previous years. Kilim Karst also benefitted from the UNESCO recognition when it managed to record high number of tourists over the past 5 years – increasing from 78,145 tourists in 2007 to 159,338 tourists in 2011. Langkawi Tourism Blueprint launched the five-year plan (2011–2015), which featured various strategies and actions that will push Langkawi to be in the list of 10 most popular ecotourism destinations worldwide.

Kilim began to attract tourist attention since the late 1990s, especially among the foreign tourists. Originally involved in fishing, the local community has established an organization called Kilim Fishermen Association in 1998 as a way to manage the facilities provided by the Government. This association has undergone a few name changes before it eventually became the Kilim Cooperative Society (KCS). During the late 1990s, foreign tourists began to visit Kilim for its mangrove attractions. During the earlier period of Kilim's establishment as a tourist destination, the fisherman only provided boating services as part-time business. Ten years later, after Kilim developed its branding, the number of tourists drastically increased year after year. This scenario has encouraged local fisherman to become seriously involved in the tourism business in Kilim.

The development of KCS with the help of The Langkawi Development Authority (LADA) is an interesting case. LADA has taken initiatives to provide some basic infrastructure, including the jetty building, stalls and roads to facilitate tourism development. In view of this development, a cooperative was established to manage the facilities. KCS has been in existence in June 2010 and began to officially operate on January 1<sup>st</sup>2011.

KCS aims to improve the economic income of the local community. It is responsible for supervising businesses in Kilim and encouraging the locals to become involved in entrepreneurship so as to improve the economic well-being of the community. The establishment of KCS demonstrates an exciting initiative to manage the tourist boat operations run by the local community. The services cover the Kilim Riverestuary, which is the main entry point to the Kilim Geoforest Park sites. Prior to the establishment of KCS, these boat operations were carried out independently by the boat operators. Most of these boat operators were originally fisherman, but with the establishment of KCS, these boat operators became independent business entities run by their respective owners. KCS itself is not involved in business but is involved in collecting fees to maintain the facilities. For example KCS earns its income by renting the stalls and charging fees for the usage of the jetty for each boating trip. Apart from managing the facilities, KCS also acts as an intermediary between the locals and the local authorities on issues pertaining to the tourism development in the area.

Membership in KCS lasts for a lifetime, but is only open to members of the local community of Kilim Village. As part of the cooperative, individual local communities can buy shares of up to RM20,000. However, an entity must run a business to be able to register with KCS. For example, boat operators must register as a member of the cooperative before they are allowed to run any business in Kilim. In order to ensure maximum participation of the local community, the workers or boatmen are given priority.

The provision of boating services makes the tourism industry in Kilim more attractive. The services are carried out independently by a few individual boat owners, and by 2012, there are about 25 boat owners with 80 boats in Kilim. They often start with just one boat and then gradually increase them to a modest fleet of more than five boats. These boat owners are free to promote their services in Langkawi using their own marketing strategies. However, most of them offer the same services, that is, nature-based activities such as visiting bat caves, eagle watching, fish farming, and trips through the mangrove forest, which are all accessible by a boat.

The income of the cooperative comes from the rental of business premises, levies paid by the boat owners for each trip (i.e., RM 10 or equivalent to USD 3.22), one-time membership fees, and the shares bought by the members (i.e., from RM 30 to RM 300). Based on the first Annual general Meeting report, from July 2010 until June 2011, the cooperative managed to make a profit of RM 54,334.84. However, in terms of local community participation, the number of local members actively involved in cooperation decreased. During the earlier period of the establishment of KCS, it has 120 members, 60 of whom were very active members. However, by 2011, the number of members decreased to 84. This indicates that KCS does not receive the full support of the local community of Kilim.

There is no doubt that KCS plays an important role in developing entrepreneurs in Kilim. However, there is a growing concern in the community in terms of business sustainability. First, for the local community, it is difficult to obtain subsidies or loans to start and maintain a business, which is a major economic barrier preventing them from achieving business successes. Although some of the business owners were granted loans to start their business, the amounts they received were usually too small for their business. In addition, although KCS provides loans for its members, it is usually difficult to get payments from the borrowers.

Second, the high proportion of operating expenses comprises a large chunk of costs related to maintaining the boat. For example, although fuel prices and the cost of spare parts have increased in recent years, the prices of tour packages have not changed. In some cases, other boat operators market their services through third-party enterprises. The involvement of these third-party enterprises reduces the profit margin gained by the boat operators. As an example, a taxi operator charges higher fees for bringing the tourist to the area and waiting for the tourists to complete their boat trips.

Third, aside from its nature-based activities, there are limited activities offered to tourists who are not interested in these types of nature-based activities. There is also a concern on limited places that can be explored in Kilim for tourists who do not want to take the boating trips. At present, there are only six business premises rented by the local entrepreneurs. However, due to the inadequate number of premises available, the variety of products offered to the market is also limited. Thus, compared with Kuah and Makam Mahsuri, known places for shopping sprees, the limited choices of products offered in Kilim discourage tourists from spending their money there.

Fourth, income from these business operations is highly dependent on seasonal business. There are fewer tourists who arrive in February, March, and April. Fifth, apart from the communication barrier between the boatman and the foreign tourists, many boatmen who are required to drive the boat and explain the sights have discipline problems and refuse to improve and learn. Though they earn their income based on the number of trips they complete, they have not fully committed to becoming excellent practitioners in their field.

Meanwhile, the influx of tourists over the years has also led to the issue of maximum carrying capacity in Kilim. Several environmental issues have been identified KCS in its effort to maintain the sustainability of Kilim Geopark. Some of the main environmental problems identified include the following: 1) worsening

erosion of the river bank due to the huge number of boating activities that destroy the mangrove trees along the river bank; 2) the Kilim River floor has become shallow due to the erosion of the river bank; 3) increasing amount of garbage dumped into the river; and 4) oil spillage from the numerous boating activities. These issues have served as red flags alerting KCS to wisely manage the place by seeking balance between economic returns and environmental sustainability for the next UNESCO geopark assessment.

### **3.0 CONCLUSIONS**

This article presents a case study on building CBE through KCS, a community-based cooperative in Kilim. KCS is a prime example of successful community participation in tourism development despite the generally limited cooperative involvement of some communities in the tourism industry in Malaysia. This study contributes to knowledge on the only tourism-based cooperation existing in Malaysia dealing with tourism products based on its unique attractions, which are the mangroves. However, developing the boat operators' entrepreneurial skills based on ecotourism attractiveness depends on the sustainability of the area's geopark status, which poses a dilemma between economic returns and environmental sustainability.

This article can be considered as a groundwork endeavor to highlight the role played by the KCS in developing entrepreneurs in Kilim. However, the existence of KCS may limit the extensive analysis of the effective role played by KCS in fulfilling its objectives. Within the short period, the initiative and challenges encountered by KCS in disseminating eco-tourism within the Kilim Geoforest Park has been proven to improve the economic returns and quality of life within the local community. That KCS successfully transformed the local community from fisherman to business people demonstrates the fact that it has achieved its objective of providing business opportunities for many fishermen in Kilim.

These findings suggest that KCS has been very proactive in its effort to ensure the long-term benefits of tourism to the local community. In its first year of set-up, KCS had already proven its success in developing local entrepreneurs. Local community involvement in Kilim has contributed to the formation of small scale entrepreneurship that, in turn, helped the community achieve social, physical and economic benefits to ensure the sustainability of eco-tourism. Yet, the number of cooperative members is declining, which may indicate the lack of participation among the local community members. Given that KCS requires more local community involvement to support the future tourism development of Kilim, there is a need to facilitate collaborations among the local community, tourists, and local authorities to guarantee the survival of Kilim Geopark in the coming years. Thus, KCS must extensively market its role and initiative to attract many local people to get involved in various programs in Kilim. The Langkawi Blueprint outline initiative for the future development of Kilim can provide even more opportunities for the locals.

Meanwhile, the sustainability of business has been the main issue for KCS and its members. Aside from difficulties in obtaining business capital, operation costs are high considering the seasonal nature of the boating business. In the long run, with the future development of Kilim, KCS must provide side income opportunities for the boat operators. The success stories of those who overcome the sustainability problem can be used as lessons from which new entrants can

outline their long-term business strategies.

The present study reveals that KCS has to maintain the sustainability of its vast mangrove forest for the next evaluation to be carried out by UNESCO. It is vital for Kilim to maintain its UNESCO Geopark status because it acts as a main promotional tool. The difficulties faced by KCS call for strengthened cooperation among KCS and its stakeholders. Close networking with various stakeholders can serve as an important method of developing the Kilim area, as it allows participants to address the various sustainability issues together.

Though this study has some limitations, particularly in its scope, we look forward to the day that the community, local authority, and Government would use our findings as they collaborate to address their perceived shortcomings, particularly the difficulties they faced in maintaining the sustainability of the Kilim Geopark. The adoption of this study to other areas, even in Malaysia, must carefully consider the differences in culture, economic background, and attitudes of the local communities involved.

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