

**FAMILY BUSINESS CULTURE,  
ENTREPRENEURIAL ORIENTATION  
AND THE NEW ECONOMIC POLICY  
ON FAMILY BUSINESS SURVIVAL:  
A STUDY BETWEEN THE MALAYS AND CHINESE  
OF MICRO AND SMALL-SIZED FAMILY BUSINESSES  
IN MALAYSIA**

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## ABSTRACT

This thesis explores the influence of family business cultures (FBC) through three-circle model of family business by Gersick *et al.*, (1997), entrepreneurial orientation (EO) by Covin and Slevin (1991) and the New Economic Policy (NEP) from 1971-1990 as the Malaysian government's intervention and affirmative policy on the survival of Malay (MFB) and Chinese (CFB) family businesses, specifically on micro- and small-sized family businesses. Since there was very little knowledge of the operation and survival of family business (FB) in the context of Malaysia across ethnicities, this research study takes a retrospective approach in reviewing secondary-source literature which covers the period from the era of British colonialism starting in the eighteenth century until the post-independence period, especially during the implementation of the NEP from 1971, in order to be able to gain a fair and adequate view of the socio-economic situations across the two major ethnicities i.e. the Malays and Chinese. In addition, two empirical studies were carried out in the *Klang Valley* as the fastest growing economic region and where the capital city of Malaysia, Kuala Lumpur, is located using the mixed-method research approach by combining both quantitative (Study 1) and qualitative (Study 2) research designs in order to derive more robust and reliable findings. The 226 MFB participants in the study completed a survey questionnaire designed to provide quantitative data, while a further ten samples, five each from MFB and CFB, undertook an in-depth interview of qualitative design. As well as entrepreneurs, the study was complemented by the inclusion of ten non-entrepreneurs, comprising two experts in the two different Malaysian ethnic businesses, two politicians from the ruling and opposition parties, two government policy makers and four bankers, including both commercial and government bankers in order to derive more conclusive understanding. The main findings revealed that the MFB and CFB were rooted differently in terms of their cultural resources, as the former were imbued with the religious beliefs of Islam while the latter practised Confucian cultural values in their businesses. Both ethnicities exhibited longer-term survival in their businesses succeeding beyond the critical first three years, but the CFB had the further advantage of strong bonding in terms of social capital networking within their ethnic group which surpassed that of the MFB, and this explained their dominance in the various businesses since the colonial period. A surprising result was the encouraging number of MFBs which had developed positive links with Chinese business networks, as well as the fact that both ethnicities exhibited similar characteristics in terms of EO. The findings on the effectiveness of the NEP's implementation on the MFB's and CFB's survival were mixed in that there were both direct and indirect influences on their business survival, and that micro-sized businesses struggled more than small-sized businesses and that the more-educated owners gained an advantage in comparison with the less-educated in terms of access to micro and small financing schemes. This study advances the understanding of these issues in its theoretical, methodological and practical contributions; its limitations are acknowledged and suggestions for future research are recommended.

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## **DECLARATION**

I declare that this thesis is all my own work and the sources of information and material I have used (including the internet) have been fully identified and properly acknowledge as required in the guidelines.

Nor Fuad Bin Abdul Hamid

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## Table of Content

ABSTRACT	ii
ACKNOWLEDGEMENTS	iii
DECLARATION	v
TABLE OF CONTENT	vi
LIST OF TABLES	xiv
LIST OF FIGURES	xvii
LIST OF ABBREVIATIONS	xviii
<b>1. CHAPTER ONE: INTRODUCTION</b>	<b>1</b>
1.0 Introduction	1
1.1 Research Background	1
1.2 Research Problem	7
1.2.1 Environmental Effect on Small Family Business	11
1.2.2 Cultural Consequences on Small Family Business	12
1.2.3 Concept of Long-Term Survival in Family Business	14
1.3 Research Objective	19
1.4 Research Question	19
1.5 Research Framework	21
1.6 Methodology	25
1.7 Contribution and Significance of Study	26
1.8 Limitations of the Study	27
1.9 Operational Definition	28
1.10 Thesis Structure	29

<b>2. CHAPTER TWO: LITERATURE REVIEW</b>	<b>30</b>
2.0 Introduction	30
2.1 Entrepreneurship: Concept and Classification	30
2.2 Entrepreneurial Trichotomy	33
2.3 Ethnic Entrepreneurship: Entrepreneurial Activities in Contrasting Cultures	39
2.4 Entrepreneurship and Organisational Context	43
2.5 Contingency and Organisational Theory	47
2.6 Economic Perspective and Entrepreneurship	48
2.7 The Resource-Based View (RBV) and Entrepreneurship	49
2.8 Family ‘Uniqueness’ as a Firm’s Resources (‘Familianness’)	50
2.9 Family Business	52
2.9.1 Definition and Characteristics	52
2.9.2 Family Business: Stages of Goals and Objectives	56
2.9.3 Family Business Dynamics	58
2.9.4 Family Business and non-Family Business: A Comparison	61
2.9.5 Organisational Culture: the Uniqueness of Family Businesses	64
2.9.6 Family Business Culture: Incorporated Values and Norms	67
2.9.7 Family System and Business System: Family Business Overlapping Components	69
2.10 Family Business Culture in Malaysia	71
2.10.1 The Malays: Beliefs, Values and Culture Orientation	74
2.10.1.1 Malay Family Business Culture	81
2.10.2 The Chinese: Beliefs, Values and Culture Orientation	86
2.10.2.1 Chinese Family Business Culture	90
2.11 Family Social Capital and Networking	95
2.12 Entrepreneurial Orientation (EO): A Strategic Perspective	99
2.12.1 The Entrepreneurial Firm-Behavioural Perspective	101

2.12.2	EO: A Gap In The Cultural Approach	104
2.12.3	EO in Family Business Research: Empirical Evidence	105
2.13	Family Business Long-Term Survival (Successful Longevity)	106
2.14	Conclusion	108
<b>3.</b>	<b>CHAPTER THREE: THE NEW ECONOMIC POLICY 1971-1990: THE ENVIRONMENTAL IMPACT OF MALAYSIA'S AFFIRMATIVE ACTION</b>	<b>110</b>
3.0	Introduction	110
3.1	Malaya Pre-Independence: the Fate of the Malay Rural Socio-Economic Agenda	114
3.2	The Social Bargain: A Social Contract for Ethnic Groups	119
3.3	National Ideology	121
3.3.1	Article 3- Religion of the Federation of Malaysia	121
3.3.2	Article 14- Acquisition of Citizenship	121
3.3.3	Article 28a-Acquisition of Citizenship	121
3.3.4	Article 71 - The Rights and Prerogatives of the Malay Rulers	122
3.3.5	Article 152 - Malay language as the National Language	122
3.3.6	Article 153 - Special Privileges for the Malays	122
3.4	The New Economic Policy 1971 to 1990	123
3.5	Economic Progress under the NEP (1971-1990)	125
3.5.1	The Malays' ( <i>Bumiputera</i> ) Capital Ownership and Entrepreneurship	126
3.6	Post-NEP (1991 onwards): Economic Progress	133
3.7	The New Development Path and Future Challenges	134
3.8	Conclusion	135



<b>4. CHAPTER FOUR: RESEARH METHODOLOGY</b>	<b>138</b>
4.0 Introduction	138
4.1 Management Research Paradigms	138
4.2 Framework for Data Collection and Analysis Techniques	140
4.2.1 Research Design	140
4.2.2 Research Approach	140
4.2.3 Research Strategy and Research Method	143
4.3 The Research Methodology Chosen for this Study	144
4.4 Research Design: Sampling Design, Location, Unit of Analysis and Data Analysis	146
4.4.1 Sampling Design: Survey and In-depth Interview	147
4.4.2 Questionnaire Survey	148
4.4.2.1 Sample Size and Database	149
4.4.3 In-depth Interviews	150
4.4.4 Unit of Analysis	151
4.4.5 Location	152
4.4.6 Measurement	153
4.4.6.1 In-depth Interview	153
4.4.6.2 Survey	157
4.4.7 Reliability and Validity	160
4.4.8 Data Analysis	162
4.4.8.1 SPSS 17.0: Study 1 of Quantitative Data	162
4.4.8.2 Nvivo 8.0 and Thematic Analysis: Study 2 of Qualitative Data	162
4.5 Ethical Consideration	162
4.6 Conclusion	163

<b>5. CHAPTER FIVE: STUDY 1: QUANTITATIVE RESEARCH FINDINGS</b>	<b>164</b>
5.0 Introduction	164
5.1 Validity, Reliability and Normality of Measurement	165
5.1.1 Reliability Test	165
5.1.2 Normality Test	167
5.2 Descriptive Statistics of Findings	168
5.2.1 Respondent's Individual Profile	169
5.3 Malay Family Business (MFB) in the Klang Valley	172
5.3.1 Main Challenges faced by Malay Family Business (MFB)	172
5.3.2 Malay Family Business Practices in Klang Valley	175
5.4 Inferential Statistics: Objective Measurement of Growth and Long-Term Survival	179
5.4.1 Methods for Quantifying Average Employee Growth (AEG) and Average Sales Growth (ASG) for the micro- and small-sized Malay Family Business (MFB)	179
5.4.2 Gender and Malay Family Business: Growth and Long-Term Survival	180
5.4.2.1 Gender and Average Employee Growth (AEG)	180
5.4.2.2 Gender and Average Sales Growth (ASG)	182
5.4.2.3 Gender and Year of Business Operation	183
5.4.2.4 Gender and Entrepreneurial Orientation (EO)	184
5.4.2.5 Gender and Paternalism (PAT)	185
5.4.2.6 Gender and Uncertainty Avoidance (UA)	186
5.5 Education Level and Uncertainty Avoidance (UA)	188
5.6 Education Level and Paternalism (PAT)	189
5.7 Education Level and Entrepreneurial Orientation (EO)	190
5.8 Years of Operation and Uncertainty Avoidance (UA)	191
5.9 Years of Operation and Average Sales Growth (ASG)	192

5.10	Years of Operation and Average Employee Growth (AEG)	193
5.11	Spearman’s Rank Order Correlation	193
5.12	Conclusion	195
<b>6</b>	<b>CHAPTER SIX: STUDY 2: QUALITATIVE RESEARCH FINDINGS</b>	<b>197</b>
6.0	Introduction	197
6.1	In-Depth Interviews of Family Business Respondents: Demographic Characteristics	198
6.2	Data Analysis: Nvivo 8.0 Software and Thematic Analysis	202
	6.2.1 Steps in Nvivo 8.0 Data Analysis	203
6.3	Extent of Family Capitalism Start-Up	208
	6.3.1 Previous Job-Related Experience	209
	6.3.2 Sources of Start-up Capital	210
	6.3.2.1 Own Savings	210
	6.3.2.2 Capital Start-up by Succession to a Family Business	212
	6.3.2.3 Mixture of Savings and Institutional Funding	213
	6.3.3 Marital Status and Children	216
	6.3.4 Education	217
	6.3.5 Motivation	221
6.4	Family Business Culture, Value And Ethics	222
	6.4.1 Flexibility in Work, Time and Money	222
	6.4.2 Family Involvement, Resources and Knowledge	224
	6.4.3 Value, Attitude, Behaviour and Ethical Commitment	228
	6.4.3.1 High Level of Commitment	229
	6.4.3.2 Trust	230

6.4.3.2 (i) Hardworking and Honesty	230
6.4.3.3 Strong Bonding in the relationship between Employer and Employee	230
6.4.3.4 Communication	232
6.4.3.5 Frugality	232
6.4.3.6 Patience	234
6.4.3.7 Fatalism and Good Virtues	235
6.4.3.8 Politeness	236
6.4.3.9 Succession over Generations through Service Reliability and Customer Relationships	237
6.4.3.10 Religious Piety	238
6.4.4 Decision Making	240
6.4.5 Networking (Social Capital)	240
6.4.5.1 Vertical and Horizontal Network Chains	243
6.5 Entrepreneurial Orientation	244
6.6 Conclusion	246
<b>7 CHAPTER SEVEN: DISCUSSION</b>	<b>249</b>
7.0 Introduction	249
7.1 The Influences of Family Business Culture (FBC) and EO on Long-Term Family Business Survival	249
7.2 The Environmental Effect of the New Economic Policy as an Affirmative Policy on Long-Term Family Business Survival	253
7.3 The Staged Process of Succession: Determinant of Long-Term Survival and Growth over Generations	259
7.4 Ways Forward for Family Business and Entrepreneurial Activities in Malaysia	262
7.5 Conclusion	263

<b>8</b>	<b>CHAPTER EIGHT: CONCLUSION</b>	<b>264</b>
8.0	Introduction	264
8.1	Revisiting the Research Objectives in terms of the Attainment of the Main Findings	264
8.1.1	The Set of Peculiar Characteristics and Dynamic within the MFB Culture of Long-Term Family Business Survival	264
8.1.2	Similarities and Differences in Family Business Practices among MFB and CFB	265
8.1.3	The Effectiveness of the NEP as a Macro-Environmental Policy in the Malaysian Context towards Family Business Survival	267
8.2	Research Contributions	269
8.2.1	Theoretical and Knowledge Contributions	269
8.2.2	Methodological Contribution	271
8.2.3	Practical Contribution	272
8.3	Limitations of the Research	272
8.4	Recommendations for Future Research	273
	<b>REFERENCES</b>	<b>274</b>
	<b>APPENDICES</b>	

## LIST OF TABLES

Table 1.1	Stages in the Small Business Growth (SBG) Model	17
Table 2.1	The Entrepreneurial Trichotomy as a Paradigm	34
Table 2.2	Chronological Studies (1775-1990) of Entrepreneurial Characteristics	35
Table 2.3	Summary of Models for Entrepreneurship Description	37
Table 2.4	Summary of Key Theory Contributors	38
Table 2.5	Characteristics of Successful and Unsuccessful Firms in a Given Environment, Organisation and SMP	44
Table 2.6	Key Contrasts between Western and Eastern Theories of Management	46
Table 2.7	'Familianness' Research and View-Points	51
Table 2.8	Three-Stage Development Model for a Family Business	56
Table 2.9	Family Business Dynamics	58
Table 2.10	Founders' Type and Characteristics of Family Business	59
Table 2.11	Comparison between Non-Family Businesses and <i>Family</i> Businesses	64
Table 2.12	Dimensions of Assimilating Values in Family Business	67
Table 2.13	A Proposal and Findings of Cultural Attributes of Malays and Chinese In Malaysia	72
Table 2.14	Entrepreneurial Orientation Concepts	103
Table 3.1	Total Ownership of Rubber Smallholdings by Ethnicity in the Colonial Era, 1953	113
Table 3.2	Employment Distribution by Selected Sector between the Chinese and the Malays in the Straits Settlements States of Penang and Malacca in Malaya, and Singapore in 1921	116

Table 3.3	Employment by Sector for Malays and the Chinese in Peninsular Malaysia 1970	117
Table 3.4	Poverty by Stratum and Ethnicity in Peninsular Malaysia in 1970	126
Table 3.5	Ownership and Control of the Corporate Sector 1971 to 1990	128
Table 3.6	Census of Enterprises by Ethnicity and Category in 2005	130
Table 3.7	Malaysian Economic Progress (%) between 1970 and 1990	132
Table 4.1	Management Research Paradigms, Key Points and Approaches	138
Table 4.2	Comparison of Alternative Strategies of Inquiry which are offered by the Contemporary Methodologists	143
Table 4.3	Research Design, Research Methods, and Research Strategy and Approach	144
Table 4.4	Choice of Research Methodology	145
Table 4.5	Research Design: Sampling Design, Location, Unit of Analysis and Data Analysis	147
Table 4.6	Development of Instrument for In-Depth Interview	154
Table 4.7	A Summary of the Development of the Survey Instrument	158
Table 4.8	Types of Validity	161
Table 5.1	Cronbach's Alpha Coefficient Value for the Reliabilities, Means and Standard Deviation of the Variables	166
Table 5.2	Kolmogorov-Smirnov Normality Test of Distribution	167
Table 5.3	Characteristics of Malay Family Business Owners	169
Table 5.4	Chi-Square Analysis between Gender and AEG	181

Table 5.5	Chi-Square Analysis between Gender and ASG	182
Table 5.6	Chi-Square Analysis between Gender and Years of Business Operation	183
Table 5.7	Mann-Whitney U-Test between Gender and EO	184
Table 5.8	Mann-Whitney U-Test between Gender and PAT	185
Table 5.9	Mann-Whitney U-Test between Gender and UA	186
Table 5.10	Kruskal-Wallis Test between Education and UA	188
Table 5.11	Kruskal-Wallis Test between Education and PAT	189
Table 5.12	Kruskal-Wallis Test between Education and EO	190
Table 5.13	Kruskal-Wallis Test between Years of Operation and UA	191
Table 5.14	Kruskal-Wallis Test between Years of Operation and ASG	192
Table 5.15	Kruskal-Wallis Test between Years of Operation and AEG	193
Table 5.16	Spearman’s Rank Order Correlation between Groups of Continuous Variables	194
Table 6.1	The Demographic Characteristics of each Family Business participating in the Interviews	200
Table 6.2	The Demographic Characteristics of Experts, State Legislators, Policy Makers and Bankers who were Participants in Interviews	201
Table 7.1	An Illustration of the Level of Preparedness for the Succession Process	260



## LIST OF FIGURES

Figure 1.1	The Three-Circle Model of family business	21
Figure 1.2	Proposed Conceptual Model of Family Business Survival affected by Culture of Family Business, Family Entrepreneurial Orientation, and Surrounded by Malaysian New Economic Policy (Environmental Dimension)	24
Figure 5.1	Main Challenges faced by MFBs in the Klang Valley	173
Figure 5.2	Malay Family Business Practices	177
Figure 6.1	Sources of Internals Data of each Transcribed Interviewees' Process	204
Figure 6.2	Free Nodes or Open Coding Process	205
Figure 6.3	Example of Tree Nodes Process	207

## LIST OF ABBREVIATIONS

AEG	Average Employee Growth
ASG	Average Sale Growth
ANOVA	Analysis of Variance
BCA	Bumiputera Credit Agency
BCIC	Bumiputera Commercial and Industrial Community
CB	Commercial Banker
CCM	Company's Commission of Malaysia
CDDP	Colonial Draft Development Plan
CEOs	Chief Executive Officers
CFB	Chinese Family Business
CLC	Communities Liaison Committee
CVS	Chinese Value System
DAP	Democratic Action Party
EFO	Entrepreneurial Family Orientation
EO	Entrepreneurial Orientation
EU	European Union
FBC	Family Business Component
FBS	Family Business System
FELDA	Federal Land Development Authority
FFYMP	First Five-Year Malaya Plan
FOB	Family-Owned Business
GB	Government Banker
GEM	Global Entrepreneurship Monitor
GMC	Government Micro-Credit Agency

GoM	Government of Malaysia
HSSEC	Humanities and Social Science Ethics Committee
IDEX	Identity Exploration Software
IN	Interview Note
INSEAD	Institute of European Administration and Development
IPTC	Indigenous People's Trust Council
MARA	Majlis Amanah Rakyat (IPTC: <i>English Translation</i> )
MBIC	Malaysian Business and Industrial Community
MCA	Malaysian Chinese Association
MFB	Malay Family Business
MIC	Malaysian Indian Congress
MNCs	Multinational Corporations
NEP	New Economic Policy
NDP	National Development Policy
NSMDC	National Small and Medium Enterprises Development Council
NVP	National Vision Policy
OLC	Organisational Life Cycle
OPP1	First Outline Perspective Plan
OPP2	Second Outline Perspective Plan
OPP3	Third Outline Perspective Plan
PAT	Paternalistic
PD	Power Distance
RBV	Resource-Based View
RIDA	Rural Industrial Development Authority
SBG	Small Business Growth Model

SCA	Sustained Competitive Advantage
SME	Small and Medium Enterprise
SMP	Strategy Making Process
SPSS	Statistical Package for Social Science
TEA	Total Early-Stage Entrepreneurial Activity
UA	Uncertainty Avoidance
UMNO	The United Malays National Organisation

# CHAPTER 1

## INTRODUCTION

### 1.0 Introduction

This introductory chapter aims to provide an overview of the thesis research framework. This research is specifically referred to an exploratory study in nature with the primary concerns of discovering and understanding the uniqueness of family-owned business across ethnicity among the Malays and the Malaysian Chinese family businesses since less research being done in this area in Malaysia. Moreover, this thesis seeks to answer the role of cultural consequences embedded in the family business entity and founder's or owner's entrepreneurial orientation leading to long-term survival of family businesses.

### 1.1 Research Background

Malaysia is a diverse-culture country where multi-ethnic groups have been living together since its independence from Britain in 1957. The total population recorded in 2010 (DoS, 2012) was 28.9 million, with 23 million (79.5 percent) living in Peninsular Malaysia (West Malaysia), where the capital city of Malaysia, Kuala Lumpur is located, while the remaining 5.9 million (20.5 percent) live in East Malaysia, Borneo Island which comprises two states, Sarawak and Sabah, which subsequently joined Malaya to form Malaysia in 1963. In terms of the major ethnicity of the Malaysian citizens, 67 percent are Malays while the rest are Chinese 24.3 percent, Indian 7.4 percent, and the aboriginal population (the ancient people of the area, the *Orang Asli*) estimated at 60,000, while the remainder are other ethnicities. *Bumiputera* is a Malaysian constitutional term referring to a native group of indigenous people, or in *Sanskrit* literally means 'sons of the soil', comprising the Malays, which is the majority ethnic group among *Bumiputera*, and the various minority ethnic *Bumiputera* groups such as the *Orang Asli* in Peninsular Malaysia, the *Iban* in Sarawak and the *Kadazan Dusun* in Sabah, in reference to the constitutional rights and special privileges preserved for them, such as land reserved for the *Bumiputera* known in the land titles 'Malay Reserved' in Peninsular Malaysia or 'Native Title' in Sabah and Sarawak (in East Malaysia), which is severely restricted, and acquired and transferred only among themselves.

The 'Malay' itself originally denotes to a mixed group encompasses ethnic origin of people from middle eastern descent and such a sub-groups of the Malay archipelago which in the modern era covers most of Indonesia known as Acehnese, Boyanese, Bugis, Javanese, Minangkabau, Rawa, Mandailing and others who majority might embrace the same religion, Islam, while some other minorities are Christians and Hindus in which to some extent maintain considerable intra-group cultural differences (Ghee and Gomes, 2009).

The nature of Malaysia's population is termed a 'plural society' (Abdul Rahman, 2007; Mutalib, 1990) as a result of colonial British rule in '*Malaya*' (the name of the Peninsular of Malaysia before Sabah and Sarawak of Borneo joined Peninsular to form 'Malaysia' in 1963), during which the British brought in a large number of Chinese and Indian ethnics from southern of mainland China and Indian continent respectively to serve their economic interests since they were skilled-labour immigrant workers during the colonial era in mining and the rubber estates sector in the late nineteenth century, although some of them had come to Malaysia to be involved in trading and the merchant sector much earlier in the fifteenth century. Before Malaya's independence, the Malays and Chinese were the majority communities in the country and together with the minority Indian immigrants made up the three heads of major communities of political alliances in the country, and they made a bargain to recognise the Malays' hegemony (supremacy) in the political arena in return for the Chinese and Indian immigrants being granted citizenship status (Hari and Suresh, 1989). This social bargain was known as the 'social contract' to give the rights of citizenship (*Jus Soli*) to the Chinese and Indian immigrants whose influx as labourers was a pre-requisite for independence from Britain in 1957 with promises that the Chinese and Indians would help the Malays economically and the Malays would accept gradual political equality for the non-Malays (Horowitz, 1985). For the purpose of this research, the term ethnic *Malay* will be used to refer to the major ethnicities of *Bumiputera* since the Malays are the subject of this study and not the other minorities of *Bumiputera*.

As a developing country, the Government of Malaysia (GoM) introduced and implemented a rolling five-year Malaysia plan policy to stimulate the national economy and social stability after independence. The First Malaysia Plan was implemented from 1966 to 1970 while the plan currently being implemented at the time of this study was the Tenth Malaysia Plan for 2011 until 2015. The most important policy was introduced in 1971 after the 'racial riot' of 13 May 1969, a

tragedy which occurred twelve years after independence in the capital city of Kuala Lumpur and which led to major policy changes (Faaland *et al.*, 2003; Mehmet, 2011; Shireen, 1998).

While the five-year Malaysia Plan is continuously implemented, the New Economic Policy (NEP) had been concurrently implemented from 1971 to 1990, after the ethnic clash on 13 May 1969. The NEP was intended to eradicate poverty among marginalised people, that is Malays, and to reconcile the multi-ethnic society through the equitable distribution of national wealth. The NEP can be considered partially successful in its implementation of 30 percent of the overall targeted achievements at the end of its period in 1990 (Faaland *et al.*, 2003; Mehmet, 2011; Shireen, 1998).

In order to improve the Malays' economic stability, the GoM introduced a policy to develop successful Malay businesses by providing many incentives and assistances to create a so-called *Bumiputera* Commercial and Industrial Community (BCIC) to support resilient and competitive Malay entrepreneurs. Since the implementation of BCIC over the last 42 years (since 1971), some success stories are evident of Malay entrepreneurs and their business activities in relation to small and medium enterprises (SMEs), but they are still little known in the mass media and in academic researches about the involvement of Malay entrepreneurs in family businesses as compared with their counterparts; the activities of a well-known Malaysian Chinese family business about the process leads to their long-term survival (longevity). To date, no extensive researches are known which have been undertaken in Malaysia specifically on family businesses by comparing the two major ethnicities, the Malays and the Malaysian Chinese, on their involvement in micro and small family businesses.

In addition, with the aim of providing a more conducive industrial climate to stimulate national manufacturing, the service sector and entrepreneurial activities, the establishment of the National Small and Medium Development Council (NSMDC) of Malaysia on 9 June 2005 approved the common definitions of SMEs across all economic sectors, for adoption by all Malaysian Government Ministries and Agencies involved in SME development, as well as financial institutions (SME Annual Report, 2006).

Generally, according to the common definition of SMEs laid down by the NSMDC, SMEs in Malaysia are defined in two broad categories; either measured by the value of annual sales

turnover in 'RM' ('Ringgit Malaysia' is Malaysia's currency), or measured by the number of employees (SME Annual Report, 2006) as follows [ *Note*: Conversion Rate as of September 2012 for GBP equal to RM 4.98; *Source*: Central Bank of Malaysia, *see* Appendix 1):

- a. Manufacturing, Manufacturing-related services and Agro-based industries are enterprises which fall into three narrow categories:
  - i. Micro-enterprises with annual sales turnover of less than RM250,000 (GBP50,000) or with five or fewer employees;
  - ii. Small enterprises with annual sales turnover between RM250,000 (GBP50,000) and RM10 million (GBP2 million) or with between five and fifty full-time employees; and
  - iii. Medium enterprises with annual sales turnover between RM10 million (GBP4 million) and RM25 million (GBP5 million) or with between 51 and 150 full-time employees.
  
- b. Services, Primary Agriculture and Information & Communication & Technology which also consists of three narrow categories;
  - i. Micro-enterprises with annual sales turnover of less than RM200,000 (GBP40,000) or with five or fewer employees;
  - ii. Small enterprises with annual sales turnover between RM200,000 (GBP40,000) and RM1 million (GBP200,000) or with between five and nineteen full-time employees; and
  - iii. Medium enterprises with annual sales turnover between RM1 million (GBP200,000) and RM5 million (GBP1 million) or with between twenty and fifty full-time employees.

As a result of these two broad categories and narrow definitions of SMEs in Malaysia, we can clearly differentiate between the manufacturing and service industries by clustering them into two broad groups, and by looking at whether the annual turnover and number of employees of the former group are higher than those of the latter. More importantly, by looking at whether



high revenue and capital in the former categorise them as ‘massive industries’ which are mechanisation-assisted, high capital and capital intensive, as compared with the latter, which are in the second-tier of the national industrial sector which entails highly labour intensive companies.

In a developed country such as the United Kingdom, the definition of a micro-sized firm puts it into the ‘small firm category’ due to its ‘smallness’ in terms of employment level; the definition was made by the UK Committee of Inquiry on Small Firms (Bolton, 1971), and is known as Bolton’s Definition of Small Firms in terms of ‘economic definition’, by having the characteristics of holding a relatively small share of the market; being owned or partly-managed in a personalised way and not through the medium of a formalised management structure; and being independent by not being part of a large enterprise. However, under the European Union (EU) definition of a micro-sized enterprise as well as small and medium-sized, they are clearly defined by number of employees and by financial criteria (EU, 2003; Deakins and Freel, 2006). Therefore, it can be seen that due to the ‘smallness’ definition of micro-sized firms in Western countries, much of literature highlights the importance of small firms rather than micro-sized firms, and it is understood that most academic articles place micro-sized firms in the ‘small-sized’ category in their studies, which refers to and means small-sized firms as well due to their ‘smallness’ entities.

For the purpose of this study, the operational definition which will be used with regards to full-time employees in micro-and small-sized family manufacturing and agro-based industries, the number ranges between five and fewer, and more than five to fifty employees, and the annual sales turnover is less than RM10 million (GBP4 million); while for micro- and small-sized family businesses in the service sector, the annual sales turnover ranges below RM200,000 (GBP40,000) and more than RM200,000 (GBP40,000) to RM1 million (GBP200,000) respectively, while the number of full-time employees is between five and fewer, more than five to nineteen accordingly.

In the entrepreneurship literature, there are at least two major theories which dominate in approaches to entrepreneurship study, namely economic and organisational perspectives, and these are at the heart of two major debates about the role of price information and the outcomes

of economic activity (for example, starting or growing businesses). There are four themes which are widely accepted as representing the different ways that economists view entrepreneurship; first, the individual exercises a choice between becoming an entrepreneur or an employee, and is able to switch between them; second, the choice to switch between the two depends on the utility of each 'state'; third, recognition that the income from being an entrepreneurs is more risky than that from being an employee; and finally, that the choice is also influenced by differences between individuals in terms of their entrepreneurial talents and attitude towards risk (Storey and Greene, 2010). Although the economic and the organisational perspectives diverge and it is the economists' approach which tends to emphasise choice and information processing, the organisational perspective is primarily focused on the traits or characteristics which entrepreneurs possess, which creates an interest in 'who' the entrepreneurs are, and 'why' they become entrepreneurs. However, organisational theorists go further and examine 'how' individuals cognitively gather, process and evaluate information in the entrepreneurial context. In contrast, economists are not interested in the 'why' question because they know the answer, which is that entrepreneurship provides greater 'utility' than other labour market 'states'. At the risk of over-simplification, the economist views the 'process' question as easy to answer and uninteresting, since individuals moves from one 'state' to another depending on the expected utility. Therefore, the major differences between the two approaches in that the economist is interested in 'who' moves and 'when', but regards the answer to the 'why' question as because they think it is the better choice for them, while the organisational theorist is more likely to emphasise 'how' outcomes are attained and the related cognitive or psychological attributes of the entrepreneur (Storey and Greene, 2010; Shane and Venkatraman, 2000; Casson, 1999; Kirzner, 1973).

Jones and Rose (1993) discussed issues in family businesses and concentrated on the conflict arising during succession, on raising capital for business expansion, on using business profits to support lavish family lifestyles, and on extended families being involved in a family business. They contended: "the family firm cannot be used as a generic term which somehow embraces the strategy and structures of all firms which are managed by families. The scale, scope, boundaries, organisation and legal status of family firms vary historically, between sectors and between countries. Family firm strategies also diverge sharply between contexts, time-periods and cultures".

Discussing survival rates among British family firms (Jones and Rose, 1993), they further argued that the, “Low survival rate is a characteristic feature of family capitalism worldwide. If there was a relationship between macroeconomic decline in late Victorian Britain and the mature family firm, it was not that the majority of firms were old and conservative. Instead there may have been a slowing in the rate of formation of new firms. This was especially so in regions and communities dependent upon the staple industries, where barriers to entry began to rise and some markets stagnated during the second half of the nineteenth century. Here there was a proportionate rise in the importance of hereditary firms, whilst in communities which did not diversify into more rapidly growing sectors the dynamism which comes from new business formation was lost”. Although the role of the environment has been stressed as a contributory factor in small business success, entrepreneurship and entrepreneurial action must work in tandem in a small firm and this is closely connected with the personal characteristics of the entrepreneurs (Littunen *et al.*, 1998).

## **1.2 Research Problem**

Previous studies on Malaysian entrepreneurs have been more concerned with entrepreneurial traits and characteristics, and there has been very few studies which have explored their survivability, the entrepreneurial family business culture, or a founder’s or successor’s role in sustaining a firm’s culture by linking to organisational, industrial and environmental contexts. Scholars have suggested that entrepreneurship research should concentrate on the process of carrying out entrepreneurial activities rather than researching who is an entrepreneur (Peruvemba and Matthew, 2000; Gartner, 1988).

Earlier extensive research on Malay entrepreneurs in West Malaysia (Peninsular Malaysia) using the ethnography approach was undertaken by Poponoe (1970), who concluded that cultural value is important to differentiate between groups of entrepreneurs and non-entrepreneurs. Higher degrees of social cohesion have been found among immigrant entrepreneurs than in the larger society, and this is a main factor for business success, and it is unusual for outsiders to work in these companies. Religion is not the main influential factor that influences the entrepreneurial spirit. Poponoe’s study of the Malay entrepreneurs’ pre-NEP in 1970 as considered important in

the context of this thesis since it was the remarkable demarcation of the involvement of the Malay in business venture after the NEP's implementation for twenty years from 1971 to 1990.

Kao (1999) studied the Chinese overseas family business worldwide and found that 'controlling' is used without question in family business culture, and social roles are in line with *Confucian* belief, with a powerful founder and two layers of management hierarchy, that is, the father-son control structure seems to achieve a firm's security. Kao (1999) found that a powerful family member will employ a poor manager as long as he/she is a 'family member', and will rely more on intuition in decision making. This level of 'trust' will be regarded as a double standard if a comparison is made between a family professional manager and an outsider non-Chinese professional manager if both were hired in the same company. The outsider non-Chinese professional had to work even harder than family member manager in order to achieve promotion. In addition, Kao (1999) found that in Chinese family culture, individuals have to respect their father and mother, even though when it comes to family business practices, this can hinder innovative and creative thinking.

In contrast, Habrizah (1997; 1995) found and ranked by comparison and cumulation between two ethnic groups the 'core personal values' in her samples: she identified nine core values for Malays and eleven core values for Chinese in respondents who were randomly assigned among 40 entrepreneurs from both ethnicities in Malaysia. The second ranking values in the study were 'Religious Piety' and 'Sustaining Growth and Continuity as Family Business' for Malay and Chinese respondents respectively. Apart from this divergence over the second-ranked value, the other values for both Malays and Chinese were similar from the first rank to the ninth rank, namely, 'High Achievement', 'a Comfortable Life', 'Personal Independence', 'Perseverance', 'Mutual Obligation and Reciprocity to Family and Kinship', 'Self-Discipline', 'Trustworthiness' and 'Frugality'. However, for the Chinese, two additional values were found in the entrepreneurs, 'Benevolence' and 'Harmonious Relationship with others'. Since her study focused only on the personal values of two different ethnic personalities of entrepreneurs, Malay and Chinese, that study did not indicate the entrepreneurial process of family business survival from each ethnicity and neither of the study samples contained specifically-selected family business entrepreneurs. However, that study can be considered to have been the earliest

contribution in Malaysia on the different personalities of Malay and Chinese entrepreneurs by measuring core values using Identity Exploration software (IDEX).

It was found that two different entrepreneurial values were ranked in the second tier, 'Religious Piety' for the Malay entrepreneurs and 'Sustaining Growth And Continuity As Family Businesses' for the Chinese entrepreneurs. More importantly, this finding was in contrast with the earlier findings of Poponoe (1970) which did not place religion as an influential factor in entrepreneurship, but it was in line with Kao's finding (1993) on the importance of belief. Unlike the studies by Poponoe (1970) and Habrizah (1997; 1995) which highlighted the important values of entrepreneurs in general as a unit of analysis regardless of the mode of their businesses (whether it was family or non-family business) which ultimately mixed the problem of two different modes of studying entrepreneurs, Kao (1993) went further to regard the family business specifically as a unit of analysis by comparing the dynamics of Chinese family businesses.

The study of entrepreneurship in the two major ethnicities in Malaysia, Malay and Chinese, has attracted great interest among western scholars. Urban Malay entrepreneurs have been a subject of interest in order to explore the complex themes of Islamic duty and financial obligation which underlie Malay life in relationships with parents, spouse, cohort and the community, and in relation to entrepreneurship development among the urban Malay community (Sloane, 1999). Sloan (1999) also explored the redefinition of Islamic beliefs towards economy in the context of an increased understanding of entrepreneurship among Malays. At the same time, the role and influence of Chinese ethnicity with its distinctive embedded culture are vital factors in entrepreneurial success (Redding, 1993). Redding (1993) identified that the combination of Chinese family dialect, family structure and culture, and the Confucian value system, become a powerfully influential set of characteristics on business set-up.

Muzaffar (1989: 37) commented on the economic scenario generally in the Malaysian business context before the NEP, saying that:

Chinese dominance and control of economy, their ubiquitous role in trade and business, their established commercial position, their business arrangements and methods, their trade connections, their loyal to clan and community and their discrimination of other entrants into business, all conspire to make it difficult for Malays to move into commerce and industry as businessmen and entrepreneurs.

In relation to this, Mahathir Mohamed in 1970 through his controversial book *The Malay Dilemma*, written before he became the fourth Prime Minister of Malaysia for 22 years from 1981 until 2003, once contended that:

Chinese business methods and the extent of their control of the economy of the country is such that competition between their communities and other communities is quite impossible. Their close-knit communal business tie-ups and connections, their extensive hold over the wholesale and retail business, their control of transportation, their powerful banks and their own wealth are such as to constitute an impregnable barrier against any substantial encroachment by other communities in their economic preserves in a free enterprise society [...] Chinese monopoly is even greater than the monopoly practiced by the British during the colonial period. The British confined themselves to big business and left retail trade to the Chinese. (Mahathir, 1970: 56)

Furthermore, the NEP encourages networking across ethnicity when leading Chinese business groups have chosen a two-pronged strategy in developing their enterprises by working closely with Malaysian political patrons aiming at business success, while at the same time acquiring non-Malaysian (foreign) capital, the so-called ‘Overseas Chinese’ capital at the time, that become a source of growth and wealth (Heng, 1992). Contrary to these views, Ye (2005) criticised the policy on the grounds that it aimed at changing the ethnic pattern of economic power through measures favouring the Malays. Race entered the picture of economic activities when the rules and regulations of doing business became less precise and more exclusive. There was similar discontent over the NEP in that the Chinese dynamism and potential contribution of SMEs was curbed (Jesudason, 1989), although he offered insufficient empirical evidence to support this argument, and as a result of the implementation of the NEP, those SMEs survive with some showing the capacity to develop and expand their scale of operation considerably (Gomez *et al.*, 2004). In this thesis, in taking family businesses as a subject of research and to reduce sensitivity among ethnics, there is no intention to argue the advantages or disadvantages of the NEP across ethnicities, but to examine how the owners of micro- and small-sized family businesses have benefitted directly or indirectly from the policy, and drawing from the data acquired by this study, appropriate recommendations and contributions to the literature on entrepreneurship, ethnicity, and micro-and small-sized family businesses will be made in Chapter 8.

### **1.2.1 Environmental Effect on Small Family Business**

In developed countries, more than 90 percent of US business owners lead family businesses (Shanker and Astrachan, 1996), while in Western Europe more than 75 percent of all registered corporation are family-run businesses. A similar trend is found in developing nations such as India, for instance, where 70 percent of the largest private sector firms are family businesses (Bhattacharya and Ravikumar, 2001).

Although there are no statistical data available on the number of family businesses in Malaysia, it is safe to say that nearly 50 percent of small business among Chinese are family-run businesses, since Chee (1986) found that 46 percent of the businesses in his research sample were family businesses from the data collected in 1974 and Abdul Aziz (1981) samples drawn in 1976 on Malay and Chinese entrepreneurs found that more than half samples of Malays and Chinese were family dominance enterprises as well as Sin (1987). However Mohd. Fauzi (1981) in study of Malay business in 1973 found that in his sample 25 percent of the businesses were family businesses which is almost comparable with the study in similar year carried by Charlesworth (1974) which found 21 percent of Malay business's samples were family businesses.

The clear contrast between the findings of Mohd. Fauzi (1981) and Chee (1986) was that the disparity in the number of family business involved in their studies was probably caused by industry sensitivity (or type of industry ventured into) since Chee (1986) studied small manufacturing industries in which 80 percent are dominated by the Chinese, while Mohd. Fauzi (1981) studied a cross-section of industries among the Malay businesses with 10 percent of them are small manufacturers *per se* while the remaining nearly 90 percent in the service sectors of micro- and small-sized. The clear evidences in the past researches proved that family businesses in Malaysia were involved mostly by Chinese than the Malays, although no official data at national level to date presented exactly the number of family businesses across the ethnicities. Thus, this thesis therefore attempts to get more insightful evidence of the culture and entrepreneurial orientation (EO) of the family business process between the two major ethnicities of the Malays and the Chinese in Malaysia in terms of long-term business survival and business longevity and exploring how the interaction between the overlapping components of family and business, as highlighted by Gersick *et al.* (1997), actually occurs. In addition, this study will also consider how the macro environment has an impact in shaping family business survival in

Malaysia by examining the effect of the NEP which was implemented from 1971 to 1990 with the aims of eradicating poverty and restructuring Malaysian society.

### **1.2.2 Cultural Consequences on Small Family Business**

Culture is a rather more complex concept than either race or ethnicity and is the result of interpersonal interaction (Gollnick and Chinn, 1990). A distinct difference between race and ethnicity can be found quite simply in that ‘race’ commonly shares a genetic heritage while ‘ethnicity’ entails common values, beliefs and practices which are based on nationality, common ancestry, and/or common immigration experience (Hill *et al.*, 2005), known as culture-bearing units (Barth, 1969; Imperia *et al.*, 1985), with common group values of perceiving, thinking, feeling, and behaving that influence action in everyday life (Chan and Lee, 2004). Culture differs from ethnicity in that culture is composed of interpersonal, interactive processes reflecting ethnic identity and ways of behaving through family roles and values, communication patterns, affective styles and decision-making (Hill *et al.*, 2005).

‘Power distance’ (PD) which defined as ‘the extent to which less powerful members in an organisations accept that power unequally distributed’, while ‘uncertainty avoidance’ (UA) defined as ‘the extent to which people feel threaten in ambiguous situation and try to avoiding this situation’ are two major dimensions of cross-cultural studies which are a main concern in Malaysia although there were two other dimensions measured by Hofstede (1980) namely, ‘individualism-collectivism’ which defined ‘individualism’ as the extent of contrast between a loosely knit social framework by taking care of themselves and of their immediate family while ‘collectivism’ was characterised as group cohesiveness between intra and intergroup, and the last dimension is ‘masculinity-femininity’ which differed in the contrast dominant values in society in which the former is concerned on the assertiveness, acquisition of material purposes and selfishness while the latter is the opposite continuum (Saufi *et al.*, 2002; Hofstede, 1980).

The reason behind this is simply that Malaysia was ranked the highest among fifty countries by Hofstede (1980) in studying employees’ work-related values of different subsidiaries in the same multinational corporation (MNC), and that PD and UA were positively correlated for Malaysia and Malaysia was found to have large PD and weak UA, falling in the same cluster group as the Philippines, India, Indonesia, Singapore and Hong Kong. However, the drawback of Hofstede’s



(1980) PD study in Malaysian was due to his failure to split the group of employees into at least three major ethnicities namely, the Malays, Chinese and Indians thus made his research contribution incomparable across these ethnics and less acceptable. According to Hofstede (2001), UA is not the same as risk avoidance. The former implies risk while the latter implies fear and anxiety. Risk and fear are both focused on something specific; an object in the case of fear, an event in the case of risk. Risk is often expressed as a percentage of probability that a particular event may happen. Risk and fear are both diffused feelings. The former has no object while the latter has no probability attached to it. It is a situation in which anything can happen and no-one knows what it might be. As soon as uncertainty is expressed as risk, it ceases to be a source of anxiety.

Cross-cultural study of PD and UA in family businesses in Malaysia across the two major ethnicities has become of high interest especially when ethnic culture and family business culture are concerned. Following Hofstede's studies and based on Parsons and Shils's (1951) earlier work, Trompenaars and Hampden-Turners (1997) further developed a set of seven cultural dimensions which they described as existing at the level of relationships between people, time and environment. In terms of relationships between people, five dimensions were outlined: universalism *vs.* particularism; individualism *vs.* communitarianism; neutral *vs.* emotional; specific *vs.* diffuse; and achievement *vs.* aspiration. The remaining two dimensions referred to time and environment, making seven dimensions altogether. After comparing the studies of Trompenaars and Hampden-Turners (1997) and Hofstede (1980) on national business culture, the latter's two dimensional model based on vertical PD and horizontal UA will provide a basis for this thesis although the PD will be changed to 'Paternalism' which seems to be more suitable to study on the founders or owners of Malaysian family businesses as long as these dimensions entail a 'mental programming' in the embedded family business culture.

Family is perceived within an ethnic group, and cultural values and behaviour patterns are embedded through family interaction where the culture consistently resides within the family system and between the family and its community (Danes *et al.*, 2008; Rueschenberg and Buriel, 1995). A family business can be viewed as the external manifestation of a family's value system which underpins a code of behaviour that protects the family vision and business mission. During periods of challenge and transition, the family business entity is supported by belief in a

set of shared values, but conflict can arise if there is no relevant vision towards family unity (Leach, 2007). Thus, in this study of family businesses, we may use the term ‘family business culture’ (FBC) instead of culture *per se*, because it entails the complexity and overlapping cultural practices between the family and the business itself and delineates the values, beliefs and behaviour through the manifestation of family interaction between family members and business interaction between family and non-family members of employees during the daily operation of a family business.

### **1.2.3 Concept of Long-Term Survival in Family Business**

The term ‘long-term survival’ of a family business in this study is not indicated by accounting, such as profit and loss and the economic measurement of performance of such firms *per se*, but it highlights the ‘process of survival’ in maintaining family autonomy in firm from pre-start-up and start-up and through growth and loss, and how the owner of a family business, by using his capability and experience, tackled the family business entity and led it towards becoming a more resilient and enduring business with a continued existence to date. ‘Long-term survival’ in this thesis also takes into account the process of succession planning among the family businesses in the study. This study concerns solely the family-owned businesses (FoB) of the two major ethnicities with Malaysian nationality, Malays and Chinese, which means that the data were collected from participating Malay family-owned businesses and Chinese family-owned business. In order to use the term in tandem between Malay and Chinese family-owned businesses, this study applied the terms and abbreviations ‘Malay family business’ (MFB) and ‘Chinese family business’ (CFB) which both refer to family-owned businesses of the two different ethnicities.

Ward (1997) identified the reasons why most family businesses do not grow or develop, but simply remain stagnant and just survive because they face many challenges while operating family businesses. He proposed a set of family ‘best practices’ to assure business success, profitability and in turn long-term survival to avoid the stagnation which impedes development and growth, and which is caused by intensifying competition, technological change, capital limitation due to family growth and increases in lifestyle expectations, and the use of less-modern financial management techniques compared with non-family business counterparts (Filbeck and Lee, 2000), incongruent family goals and needs, and intergenerational succession

issues between family members who have been deprived of motivation due to inherited security and wealth. The best practices which he suggested were preplanning strategic insights, attracting and retaining credible non-family managers, creating a flexible and innovative organisation, creating and preserving capital assets, and succession planning for potential leadership within members of the family business.

In analysing the survival of small businesses, especially in the retail and service industries, following the organisational life cycle's (OLC) theory by Kaloo (2010) by lumping together all kind of the businesses regardless non-family and family business seems mislead, although previous researchers proposed a two-year survival rate from the inception (start-up) associated with owners' characteristics. They found that 51 percent of businesses survived after two years, and that 80 percent of the closures were financial failures. Characteristics of owners who survived included being older, being better educated, having more experience of owning a business than owners who had closed, surviving businesses tended to be larger, better capitalised, located in growing areas rather than in established neighbourhoods, and were organised as sole proprietorships or corporations rather than as partnerships. However, previous studies on small business survival offer limited information to measure the nature of start-up, length of previous industry experience and, more importantly, give no explanation in terms of experience quality to assure existing business survival, especially if applies in family business domain (Delmar and Shane, 2006; Wicker and King, 1989; Star and Massel, 1981; Mayer and Goldstein, 1961). At the same time, it is difficult to define failure, disclosure or discontinuance because there are no formal reporting requirements for most small businesses. Furthermore, changing a firm's name or ownership transfer is not necessarily an indicator of business failure (Lee *et al.*, 2012; Watson and Everett, 1996). Thus, the samples in this thesis were drawn from family business operators who had been involved in the service and retail sectors for more than three years from business start-up and had retained the same ownership since they were asked to fill-in three consecutive years of sales and employee growth from 2007 to 2009. For this thesis, in order to reduce bias and increase the generalisability of the data collected, as well as focusing on a sample of long-term surviving family firms, two cases of family business closure as well were explored through in-depth interviews.

According to OLC theory, survival and success are distinct aspects of performance that are determined by different processes of business (Kalleberg and Leicht, 1991). Large firms are

more likely to survive but smaller ones are more profitable (Blau, 1984), while another study has proved that survival was more strongly related to institutional environmental variables such as political turmoil, but that their success was more strongly related to environmental variables such as the number of skilled employees in the labour market (Carroll and Huo, 1986). Research on organisational performance has been conducted by macro level analysis by using the population ecology approach. Ecologists generally focus on survival and tend to neglect differences in success among surviving organisations. Population ecologists assume that organisations do not have much control over their survival or failure and that strong inertia forces prevent better them from changing their forms to fit their environments better. Therefore, the selection of particular organisations formed by environmental characteristics is thus the fundamental process explaining differences in survival within organisational populations. By and large, a survival study of one firm looks at issues of performance at a broader level, which corresponds to the environmental surroundings.

Business survival is a constitutive indicator of business success (Bruderl and Schussler, 1990). Survival is an expression of the ability to react to (rapidly) changing environmental conditions in order to ensure that the new business does not fail. Thus, the question of why some businesses survive and others do not is a central thesis of entrepreneurship study (Korunka *et al.*, 2010; Cooper, 1993). Growth, however, indicates the success of a particular strategy within an environmental niche: environments confer growth upon those firms whose strategies prove more viable than those of competitors (Porter, 1980).

Churchill and Lewis (1983) felt that various models were inappropriate for small businesses and weak to explain business situations which differ from various other models to examine businesses merely by using business size as one dimension and company maturity or stage of growth as a second dimension. Stage models characterise business growth as happening in clearly defined stages for three reasons: first, the assumption was made that a company must grow and pass through all stages of development or die in the attempt; second, existing models failed to capture the importance of the early stages in a company's original growth; and third, the SBG model characterises company size largely in terms of annual sales and number of employees while ignoring other factors such as value-added, number of locations, complexity of product line, and rate of change in products or production technology.

Theoretically, in the life-cycle of firms, survival which refers after this onwards as ‘short-term survival’ is one of the five developmental stages of the SBG model (Churchill and Lewis, 1983; Greiner, 1972) which composed OLC theorists (Kaloo, 2007), along with the supervision style of management being practised, minimal formality of the system being applied in daily business operation, a survival strategy to be taken to ensure smooth direction for continued ‘existence in business’, and autonomy to deal with crises and growth through direction being assumed to ensure that a small business firm can survive.

Churchill and Lewis (1983) developed the Small Business Growth (SBG) Model, depicted in Table 1.1, which is relevant to small and growing businesses in five stages: existence, survival, success, take-off and resource maturity.

**Table 1.1: Stages in the Small Business Growth (SBG) Model**

<i>Characteristic by development stages</i>	<b>Existence</b>	<b>Survival</b>	<b>Success</b>	<b>Take-off</b>	<b>Resource Maturity</b>
<b>Management Style</b>	Direct Supervision	Supervised supervision	Functional	Divisional	Line and staff
<b>Extent of Formal System</b>	Minimal to non-existence	Minimal	Basic and developing	Maturing	Extensive
<b>Major Strategy</b>	Existence	Survival	Maintaining Profitable Status-quo	Growth	Return on Investment
<b>Type of Crisis*</b>	Leadership	Autonomy	Crisis	Red Tape	Ambiguity
<b>Type of Growth*</b>	Through Creativity	Through Direction	Through Delegation	Through Coordination	Through Collaboration

Source: adapted from Churchill and Lewis (1983), Scott and Bruce (1987), \*Greiner (1972).

However, stage models of OLC have six important limitations in explaining business growth as that a new small business is likely to become an early closure rather than grow; they assume a one-size-fits-all approach to growth especially to explain characteristics of long term survival of family business, while in reality small businesses and entrepreneurs are too heterogeneous to generalise a single model of business growth; models are simply unidirectional and upward curving, while in reality businesses that survive are more likely to shrink than to grow and fast growth achieved is a 'spotty growth'; the number of stages can range from two to as many as ten, as well as the number of crises which should not be limited to a single crisis in each stage (Phelps *et al.*, 2007); and stages models solely focus on the formal management structure of businesses (Davidsson *et al.*, 2004) while in reality it is how members of a management team informally interact with each other, and more importantly the value of networking among the management team and the team's culture that are factors that are generally not discussed in stage model (Storey and Greene, 2010).

Fast and short-term growth is a 'spotty growth' issue in explaining small business growth models, thus this study takes a further step in explaining family business survival by using the term 'survival' to refer to a 'long term survival or longevity process of shrinking and growing' but able to stay exists by maintaining founder's autonomy'. For this purpose, small-sized (including micro-sized) Malay and Chinese family businesses in Malaysia were chosen for this study to appraise the presence of different cultures of family business from two ethnicities, and to value the interaction between family business members in a family business system, and the effect of the environment on such businesses. In the context of Malaysia, the macro-economic policy known as the NEP aimed at eradicating poverty and restructuring Malaysian society through correcting economic imbalance, reducing and eventually eliminating the identification of race with economic function, was implemented from 1971 to 1990. The NEP is considered as a governmental intervention policy through the government's involvement in restructuring industrial policy which was deemed necessary because of the imbalance in Malaysia's economy caused by ethnically-based wealth distribution (Jomo and Wah, 1999), although there have been debates on the need to draw a clear demarcation to limit government intervention in a country's industrial policy in certain countries (Mamman, 2004 and 2002). The NEP is discussed in Chapter 3 in detail, and it has been taken into account as an 'environmental factor' affecting family business survival in Malaysia.

Therefore, for the purpose of this thesis the writer is of view to make a distant concept of survival between family and non-family businesses as previous researchers failed to differentiate between two types of businesses in determining ‘survival’ for short term as applies for non-family firms as proposed by OLC theorists using SBG Model as in Table 1.1 above, and ‘survival’ for long-term as refers to family businesses in which we will discuss in greater details in Chapter 2. Thus ‘family business survival’ in this thesis is conceptualised as the art of action and behaviour of entrepreneurial endurance with the support of family and business overlapping components systems toward managing a bundle of resources in a given environmental condition of family firm operation to ensure a successful long-term business existence and longevity in maintaining family business autonomy within a single or multiple enterprises.

### **1.3 Research Objective**

The main aim of this research is to contribute to a better understanding of the culture of family businesses across ethnicities and of the affirmative action policy, the NEP on FoB survival among Malays and Chinese in Malaysia. In addition, this study will contribute to the literature on the effectiveness of the government’s intervention and regulation on micro- and small-sized businesses, family businesses and entrepreneurship as a whole.

*Specifically:*

- a. to explore empirically within the Malay family business culture, the set of peculiar characteristics and dynamics of long-term family business survival;
- b. to identify similarities and differences of family business practices among Malay and Chinese family businesses;
- c. to investigate the effectiveness of the NEP as a macro-environmental policy in the Malaysian context towards family business survival.

### **1.4 Research Question**

The general research question is to explore the similar and/or different practices of family business culture across two major ethnicities in Malaysia, the Malays and the Chinese, and the effect on a business’s/firm’s survival (longevity). The specific research questions are as follows:

#### **Research Question 1:**

How does micro-and small-sized Malay family business (MFB) culture affect a long-term firm’s survival?

Culture has been defined by Hofstede (1980) as an “interactive aggregate of common characteristics that influence a human group’s response to its environment”. He further suggested that culture is a form of mental programming and that “culture is learned not inherited. It derives from one’s social environment, not from one’s genes”. Because of the differing mental programming of societies, there are considerable variations in behaviour and social norms which impact on various types of business and family business, and it is hard to separate the two components of ‘family’ and ‘firm’, implying that a family’s values, knowledge and reputation form a family business culture and account for the intangible assets of business survival (Hofstede *et al.*, 2010; Colli and Rose, 2007). The existing literature suggests that entrepreneurial resources such as demographic factors namely age, gender, experience, education level, the founder of a firm and the management structure are the determinant factors for small business to survive (Ferreira and Azevedo, 2008; Bates, 1990). Hence, in this study, family business culture involves embedded overlapping cultural practices between the family and the business itself which delineates the values, beliefs and behaviour through the manifestation of family interaction between family members and the business.

### **Research Question 2:**

What are the entrepreneurial orientation (EO) practices and cultural differences between the Malays and the Chinese micro-and small-sized family businesses (FB) for long-term firm’s survival?

The concept of EO can be described as a dimensionality of strategic posture (behaviour) by representing a firm’s risk-taking inclination, tendency to act aggressively, proactive approach and reliance on product extension and innovation (Covin and Slevin, 1991). The detail for this EO dimension will be discussed in Chapter 2.

### **Research Question 3:**

What are the relationships between government intervention (or affirmative action) policy on the survivability of Malay family business (MFB)?

The Government of Malaysia introduced an affirmative action policy, the NEP, in 1971, soon after racial riots in 1969, on the grounds that the native Malays had been a marginalised group both economically and socially in their own country after independence in 1957. The influence of hundreds of years of colonialism had an impact on social imbalance and economic disparity

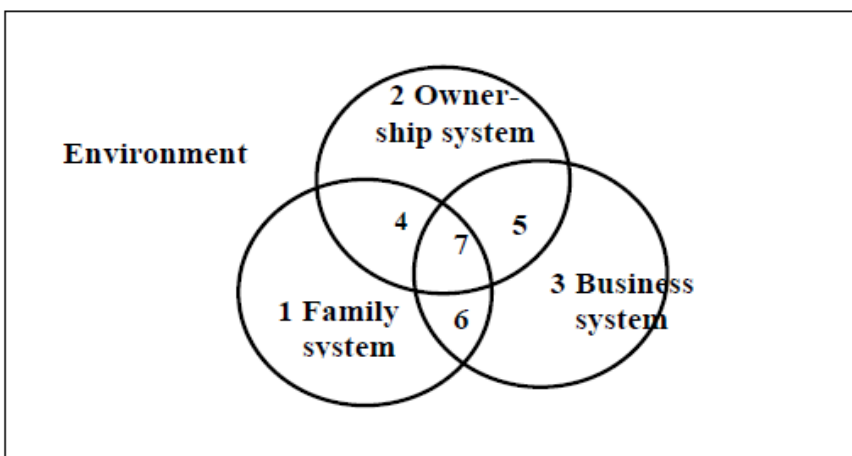


soon after independence. This had caused the country to be exposed gradually to modernisation, and immigrants from other countries perceptibly changed the demographic features and the population composition, causing inter-ethnic economic disparity among social groups which sparked jealousy and discontent. The affirmative policy was meant to bring a two-pronged solution, eradicating poverty by raising income levels and job opportunities irrespective of race; and accelerating the process of restructuring Malaysian society to correct economic imbalances in order to eventually eliminate the identification of race by economic functions. Details of the NEP will be discussed in Chapter 3 specifically, while the review of the intervention and affirmative policy as an environmental factor will be discussed in Chapter 7.

### 1.5 Research Framework

Gersick *et al.* (1997) offered a model of family business which described the family business system as three independent but overlapping sub-systems: business, ownership and family, the model can be useful to understand the source of interpersonal conflicts, role dilemmas, priorities and boundaries in a family business. Gersick (1992) suggested that certain ethnic groups increase their chances of survival in a family business simply because of their group's greater reliance on extended family and contacts within their community. The complex relationship between strategy, entrepreneurship and family all must be included when evaluating the possible competitive advantages of family-owned businesses of certain ethnic group. Figure 1.1 depicts how each of the three factors overlaps with the others.

**Figure 1.1: The three-circle model of family business**



Source: Gersick *et al.* (1997), Lansberg (1988; 1983), and Taguri and Davis (1982)

A family business consists of four basic components of the three overlapping circles in a family business environment as shown in Figure 1.1, namely; circle (1) the family system, circle (2) the ownership system, and circle (3) the business system/manager, and the overlapped sector (4) the people external to the firm. They all view the firm from diverse perspectives (Lansberg, 1988; 1983). Family members often see it both as an important part of the family's identity and heritage and as a source of financial security that will enable them to satisfy their lifestyle expectations. Managers view their careers as attached to the firm and tend to regard the business as a vehicle for professional advancement and economic achievement. Individuals can also belong to more than one group at the same time. It is even possible for the same person to hold conflicting views about the ultimate goals of the firm. The overlapped sector (5) refers to owner-managers who are not family members. Those family members who work in the firm but do not own any shares are in the overlapped sector (6). Finally, those who are shareholders and family members and also work for the firm are in the triple overlapped sector (7).

Gersick *et al.* (1997) asserted that issues and dilemmas faced by family businesses entail the distinction between the owners and the managers rather than between the family and the business. He viewed the family firm as a complex system composed of three overlapping sub-systems: ownership, business and family. The family dimension covers factors such as health, prosperity, continuity, participation, community role, communication, education, values, goals, and so on. The business dimension refers to the firm's operations, financial issues, employees, supplier and customer relationships, and so on. The dimension of ownership is related to liquidity, capital allocation, assurance of succession, strategic direction and financial performance (Aronoff and Ward 1995).

A study on family entrepreneurship by Paakkanen (2002) found that most of all, the interaction between household and enterprise was affected by the characteristics of the overlap between family and the firm, by the life cycle of the family and the firm, by the size of the family and the firm, and by the division of labour and gender roles within the family. The complex operates on the basis of its values, sets of goals and available resources. The family's 'soft' values and culture have to be connected to the 'hard' values and culture of the firm. One of the most important results of that study was that family entrepreneurship can provide one solution to the problem of connecting work and family as the division of labour is quite flexible in business

families. The economic stage of a family firm changes over time and the economic interaction between household and enterprise follows the life-cycle stages. When starting a family business, the owner and his/her family will invest their savings and private property in the firm and from that day on the household and the firm are economically overlapping as long as the enterprise exists. Habershon *et al.* (2003) argued that the discussion of strategy, planning and growth, or performance lead to the tensions and contradictions that can arise between the family system and the business. Anyone in either system may affect each or both parts of the system (Heck and Trent, 1999). Aldrich (1999) found that a social network, including the family, offers the social context in which the family business initiates, grows and transitions.

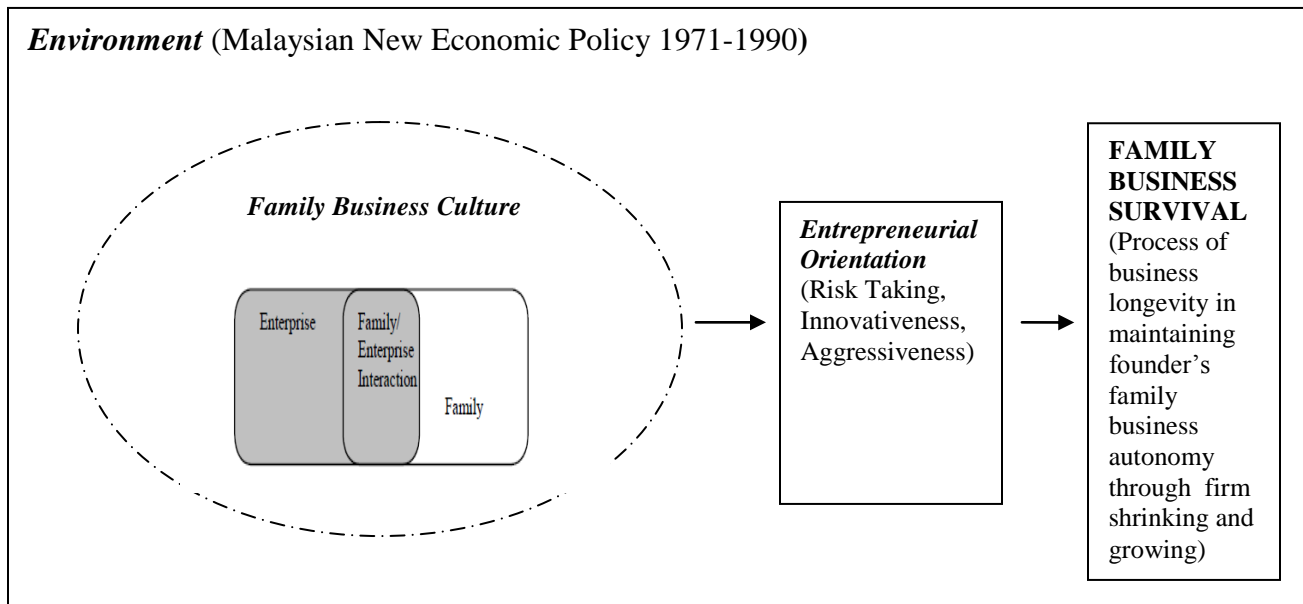
As well as Gersick *et al.*'s (1997) model of family business, structuration theory, which originated from Giddens's writing on the duality of structure (Giddens, 1984) can be suitable to explain the family business phenomenon which interlinks the 'family component' and the 'business component'. Duality in his theory, unlike dualism, offers two elements, agency and structure, which are interdependent and reconciled to each other and no longer separate or opposed, and are best portrayed as 'duality' not 'dualism'. In other words, structures can be reproduced and transformed only through agency, and agents can come into existence only within a structured environment. Furthermore, this expands more even-handed and "less restrictive accounts of social and economic behaviour". Individuals can only be understood through their space in the social network, but nothing can be gained if individuals are analysed in isolation from social context or society in isolation from individual agents (Bordue, 1990).

Structuration theory explains that structure is an enabler of culture development, while people's capabilities rely greatly on their social surrounding. The process of culture indicates the growth of an individual actor towards the social structure as far as human behaviour is concerned (Jackson, 2003; Jackson, 1999; William, 1981). 'Structure' in this current study can represent an affirmative action as a macro-environmental factor namely, the NEP. The NEP is a spirit of an institutional approach through a government intervention programme to eradicate poverty and restructure societal well-being. Institutional ideas were widely practised in social policy-making during the twentieth century which saw a rapid growth of industrialisation activities. Since industrialisation had undermined traditional welfare institutions and created new social problems

that required concerted action, governments were compelled to intervene (Midgley, 2009). A similar scenario in Malaysia happened before independence after the expansion of colonial activities in the South East Asian countries to gain valuable resources such as minerals and commodities, which brought the influx of cheap labour in the form of immigrants from neighbouring countries during the era of industrialisation and ended up with the racial imbalance between immigrants and native Malays, as well as an economic disparity between immigrant miners and peasant Malays. ‘Actor’ is an entity of a family business which combines an intersection of family and business (enterprise). An actor in this study is an owner of the business, a businessman and a manager of his/her own family business entity. ‘Structure’ is an environmental policy surrounding the entailed family business and there is interdependence between actor and structure.

Due to the nature of this research, the research questions are to represent as research propositions since no hypothesis was developed and a proposed conceptual model as depicted in Figure 1.2 were formulated as discussed above in order to guide the empirical research endeavour.

**Figure 1.2: Proposed Conceptual Model of Family Business Survival affected by Culture of Family Business, Family Entrepreneurial Orientation, and Surrounded by Malaysian New Economic Policy (Environmental Dimension)**



Source: The author’s proposed conceptual model for this study was adapted from the theories of family businesses of Taguri and Davis (1982); Lansberg (1988; 1983); Gersick *et al.* (1997); Giddens (1984), while theories of culture and entrepreneurial orientation were adopted from Hofstede (1980); Covin and Slevin (1991; 1989); Lumpkin and Dess (1996).

Of Figure 1.2, given the greying of the survival concept in the family business domain, this study takes a further step in studying family business survival by consolidating family business culture theories and family entrepreneurial orientation. Drawing from Giddens's structuration theory of agency (actor) and structure interdependency, and Gersick's model of family businesses, the following framework was developed for the purpose of this study.

## **1.6 Methodology**

Since there has been no previous extensive research done to date on family businesses in cross-cultural ethnicities *per se* in Malaysia, this study was exploratory in nature and employed multiple case studies using mixed methods from an 'interpretative research approach' which is known as a 'sequential mixed methods design', starting from quantitative data and followed by qualitative data, which is termed as 'explanatory sequential design' (Hesse-Biber, 2010; Creswell, 2009). In this design, using mixed-methods, primary data was acquired by combining quantitative methods and employed a mail-questionnaire survey of 226 responses (a 45.2 percent response rate out of 500 surveys sent out) from Malay family business owners/managers *per se*, and further details are explained in Chapter 5 in the analysis of the quantitative findings, and in Chapter 6, where the qualitative method entailed semi-structured in-depth interviews with various stakeholders who were approached, ten Malay and Chinese family business owners, inclusion of ten non-entrepreneurs who were two experts in the area of Malay and Chinese businesses in Malaysia, the state legislators of two politicians from the ruling and opposition parties, two government agencies' policy makers, and finally four officers from financial institutions, one of them a commercial banker.

The total number of twenty interviewees was considered enough since the minimum case study for a mix-method research design is suggested to be between three and five participants (Hesse-Biber, 2010). Apart from the primary data collection, in order to get a clearer picture and robustness of data, secondary data from the NEP from 1970 to 1990 which explain the economic indicators across ethnicities also made a useful contribution to the discussion of this study presented in Chapter 7. Thus all the data are fully triangulated. This research strategy, discussed in greater detail in Chapter 4, seemed appropriate since there are few known facts in the Malaysian context of family business trends among major ethnics, characteristics and entrepreneurial orientation of the domain which is of high interest for this research endeavour.

## **1.7 Contribution and Significance of Study**

There has been growing business entrepreneurship research in Malaysia since the 1970s, especially in studying the characteristics of entrepreneurs in the manufacturing industries. Extensive research was carried out by Poponoe (1970) into analysing the social backgrounds, careers and attitudes of Malay entrepreneurs, and found that the more innovative 'ideal type' characteristics of successful Malay entrepreneurs were that they had higher socio-economic backgrounds, were more marginal to traditional society, were influenced by Chinese immigration through intermarriage and association, were better educated, and had better information accessibility; while a study by Mohd. Fauzi (1981) on Malay businesses found that Malay first-generation venturers into business had a parental background varying from self-employed to wage-earners; Abdul Aziz (1981) compared Malay entrepreneurial development with Chinese entrepreneurs and found that both Chinese and Malays are family dominated; Chee (1986) studied the profiles of small industries and small entrepreneurs in Malaysia and their problems in the Malaysian economic framework and proved that most manufacturers were family-based industries.

Later researchers such as Habrizah (1995) took comparative studies between Malay and Chinese entrepreneurs and their personal values and identity structures and indirectly revealed the presence of family-run businesses activities; Sloane (1999) studied urban Malay entrepreneurs deploying an ethnographic approach to explore the complex themes of Islamic duty and financial obligation which underlie Malay culture, and their relationship with the development of entrepreneurship in the Malay society; Chin (2002) studied Chinese entrepreneurship and its cultural interaction and entrepreneurial transformation; Kalsom (2004) researched on personal factors associated performance of small firms in Malaysia while later studies comparing women's entrepreneurship within ethnicities such as Rohana (2006) and Aida (2008) studied cross-cultural female entrepreneurship between Malays and Chinese. However, none of these researchers studied family businesses in-depth by comparing the two major ethnicities, Malay and Chinese family businesses, and this current research study is considered to be the first attempt to do this.

The domain of family business research and family entrepreneurship has attracted the attention of scholars over the last thirty years, specifically in 1983 with the special issue of the journal

*Organization Dynamics*, although others might cite the much earlier seminal work by Danco (1975), *Beyond Survival*, on the attributes of family firms (Astrachan, 2003). This thesis is hoped to make both a theoretical contribution to the body of knowledge of family business research by identifying the cultural pattern of family businesses, entrepreneurial orientation and factors leading to the long-term survival of family businesses in Malaysia, and a practical contribution to the effect of government policy recommendations, especially the effect of the Malaysian Economic Policy framework which took place from 1971 to 1990.

### **1.8 Limitations of the Study**

Although this study has used the term ‘survival’ of family businesses, this does not mean that all the samples are taken from inter-generational family businesses which is a second-generation family businesses, but ‘survival’ in this study means the process of business longevity in maintaining founder’s family business autonomy through business shrinking and growth. To measure the process of longevity, and ‘why and how’ could family business owners overcome shrinking phases and manage growth (even ‘spotty’ growth), thus, this study used a mixed-methods approach which combined survey and interview of respondents, and gave better intact with the research problem and the research questions. Although some first-generations only while some others of second-generations’ owners of family businesses were approached but both were intended to get a better insight into how the existing business long-survived for the first generation founder, and how they sustained survival through inter-generational family businesses until the second and prepared for the third generation if the second generation survived since some of the respondents approached were among second generations of family businesses’ owners.

This study is also limited in terms of the generalisability of the findings to the family businesses in Malaysia as whole, since only data on family businesses were collected in the *Klang Valley* or known as the ‘Greater Kuala Lumpur’ where the capital city of Malaysia is located, and thus the findings only indicate the culture of family businesses cum entrepreneurial characteristics in an urban setting and, more importantly, with the greater economic empowerment in the capital city as compared if the study were carried in the rural areas.

## 1.9 Operational Definition

**Enterprise/Firm/Business:** These terms are used interchangeably to refer to the same entity and describe the same phenomenon or unit. In this study, they refer to a family-owned business which is owned and managed by the founder or spouse or siblings or extended family (Kirby, 2003; Chua *et al.*, 1999).

**Entrepreneur:** A person who is interested in venturing into entrepreneurial activity such as establishing or starting-up a new business/firm/enterprise for profit through self-employment (Carland *et al.*, 1984).

**Entrepreneurship:** The process of creating and operating a new business activity, ranging across all sizes from micro, small, medium and large scale businesses, or as self-employment (Kirby, 2003; Gartner, 1985).

**Entrepreneurial Orientation:** A mindset of firm-level phenomena which describe a fairly consistent set of related activities or processes such as planning, analysis and decision making, and including many aspects of an organization's culture, value system, and mission (Lumpkin and Dess, 2005; Covin and Slevin, 1991 and 1989; Knight, 1997; Hart, 1992).

**Family Business:** In this study, this refers to small group of people who start, with one as a founder, to have ownership control and to manage business venture together. This excludes managers who are not owners of a family business entity (Chua *et al.*, 1999).

**Family Business Culture:** This comprises the complexity and overlapping cultural practices between a family and the business itself which delineate the values, beliefs and behaviour through the manifestation of familial interaction among family members and business interaction among family and non-family members of employees during daily family business operation (Gersick *et al.*, 1997; Lansberg, 1988 and 1983; Taguri and Davis, 1982)

**Major Ethnicity:** This refers to the bigger ethnic compositions in Malaysia namely, the Malays and the Chinese (DoS, 2012).

**Small-Sized Business:** A business which employs fewer than nineteen employees and has up to RM1 million (GBP 200,000) annual sales turnover; the term includes micro-sized businesses due to their smallness (SME Annual Report, 2006; Bolton, 1971).



**Long-Term Survival:** A measure of business longevity in maintaining founder's family business autonomy and a firm's existence through a growing and shrinking process (Storey and Greene, 2010).

### **1.10 Thesis Structure**

This thesis is divided into eight chapters. After this Introduction Chapter, Chapter 2 presents a review of the literature on entrepreneurship from various perspectives. Chapter 3 is a discussion of the New Economics Policy (NEP) as a Malaysian economic framework for institutional and affirmative action policy intended to eradicate poverty and achieve racial integration in Malaysia. Chapter 4 presents the research methodology and research design used in this study. Chapter 5 presents the findings from the quantitative fieldwork and Chapter 6 presents the findings of the qualitative research. Chapter 7 is a discussion of the major findings of the research questions and reviews the intervention policy for small businesses in Malaysia. Chapter 8 draws conclusions from the whole study, considers its limitations and makes some suggestions for possible future studies in this field.

## CHAPTER 2

### LITERATURE REVIEW

#### 2.0 Introduction

This chapter presents the main contextual background of the study, especially the effect of ‘three-circle model’ by Gersick *et al.* (1997), entrepreneurial orientation (EO) by Covin and Slevin (1991; 1989) in the context of the family business culture in Malaysia with regards to a multi-ethnic population which determines the survivability of family businesses. The structure of this chapter represents the argument on the central issues of this study, starting with various concepts and definitions of entrepreneurship derived from the schools of thought and entrepreneurial perspectives of various authors and periods. It explains the concept of culture at national level, particularly in Malaysia, the family business cultures practised by the Malays and Malaysian Chinese, and the different management practices between non-family businesses and family businesses, and entrepreneurial orientation (EO).

A growing amount of research attention has been focused on small and micro-sized firms, while a large body of the management literature has concentrated on large publicly-owned businesses. Approximately 22.9 million of all US firms are classified as small businesses, which represents 99.7 percent of all employers. They employ more than one-half of the US private sector total workforce, producing approximately half of the private sector output by generating more than half of all US sales, and they create nearly 75 percent of net new jobs annually. It is estimated that 550,000 new small businesses were established in the US in 2002 alone (Ibrahim *et al.*, 2008; US Small Business Administration, 2005). These facts document the significance of family businesses and the substantial investment which the owning families make in their businesses. For the purpose of benefitting both the economy and the owning families, it is important to determine the predictors of family business survivability.

#### 2.1. Entrepreneurship: Concept and Classification

There is no single agreed definition of what constitutes entrepreneurs and entrepreneurship (Kirby, 2003:10). The term ‘entrepreneurship’ is usually related to new venture creation and

small-business management as well as the notions of owner-management and self-employment (Gibb, 1996).

The word ‘entrepreneur’ (*entreprendre* in French means ‘to undertake’) was introduced by Cantillon (1775), a French economist who described an entrepreneur as someone who makes rational decisions, assumes risks and provides management for the firm (Kilby, 1971). Mill (1848) focused on risk bearing as the key factor differentiating between entrepreneurs and managers.

Schumpeter (1934) addressed the contributions of Cantillon (1775) and Mill (1848) by bringing the term ‘entrepreneur’ into general use among economists (Carland *et al.*, 1988: 33) when he claimed that “Everyone is an entrepreneur only when he actually carries out new combinations, and loses that character as soon as he built up his business, when he settles down to running it as other people run their business”. The term ‘new combination’ may include one or more of the following entrepreneurial activities (Carland *et al.*, 1984: 357); the introduction of new goods or new quality; the introduction of a new method of production; the opening of a new market; the capture of a new source of supply; and a new organisation of any industry.

Extending from Schumpeterian theory which claimed that an entrepreneur is distinguishable both by type and by conduct, Carland *et al.* (1984: 354) proposed two conceptualisations, first, by differentiating entrepreneurs from small-business owner/managers and second by differentiating ‘entrepreneurial ventures’ from ‘small businesses’:

An ‘entrepreneur’ is an individual who establishes and manages a business for the principal purposes of profit and growth. The entrepreneur is characterised principally by innovative behaviour and will employ strategic management practices in the business. An entrepreneurial venture is one that engages in at least one of Schumpeter’s four categories of behaviour: that is, the principal goals of an entrepreneurial venture are profitability and growth and the business is characterised by innovative strategic practices. (Carland *et al.*, 1984: 358)

On the other hand, Carland *et al.* (1984: 358) defined a small-business owner as:

an individual who establishes and manages a business for the principal purpose of furthering personal goals. The business must be a primary source of income and will consume the majority of one's time and resources. The owner perceives the business as an extension of his personality, intricately bound with family needs and desires. A small business venture is any business that is independently owned and operated, not dominant in its field, and does not engage in any new marketing or innovative practices.

Although there is a clear distinction between entrepreneurship, small-business ownership and management, it is recognised that entrepreneurship is not confined merely to new venture creation or being self-employed (Kirby, 2003). Following Schumpeter's definition on the one hand, a strict definition of an entrepreneur proposed by Gartner (1985) is that anyone who inherits or buys an existing enterprise is not an entrepreneur. He refers to an 'entrepreneur' as the "founder of a new business" or a person "who started a new business where there was none before". On the other hand, stretching the definition of entrepreneurship, Lopes and Casson (2007) in their study of global branding and its survival expanded the definition by the inclusion of "innovative management as a kind of entrepreneurial activity". This definition is somewhat distinct from those of the earlier scholars by regarding an entrepreneur as one whose activity is limited to "invention and innovation in technology-based industries" *per se*. Lopes and Casson (2007) further argued that innovative management is a feature of marketing-based industries, in that innovation of brand management and distribution channels requires the specific intelligence and skills of the entrepreneurial actor. Entrepreneurs and enterprises have been classified into two broad categories of entrepreneurial characteristics: the 'traditional entrepreneur', which refers to an exclusive explorer using single branding firms originated from local environments such as family businesses, while the 'expanded entrepreneur' engages in exploitative firm behaviour through extending, rejuvenating and globalised branding of marketing knowledge, since both of them have different types of enterprises using different kinds of resources (Lopes and Casson, 2007; March, 1991; Casson, 1982).

Among other attributes of an entrepreneur are risk taking and getting things done towards an economic goal (Casson, 2003). Entrepreneurs are not only found in the private sector, but also in the public sector. This new phenomenon of entrepreneurship is not about the act of founding or

owning a small business, but it is about patterns of behaviour (posture) or a set of entrepreneurial behavioural characteristics such as initiative taking, assuming autonomy, managing resources, risk taking and innovative ability (Harwood, 1982). Meredith *et al.* (1982), however, saw entrepreneurs as “people who have the ability to see and evaluate business opportunities; to gather necessary resources to take advantage of them; and to initiate appropriate action to ensure success”.

## **2.2 Entrepreneurial Trichotomy**

Carland and Carland (1997) proposed an entrepreneurial trichotomy with separate three groupings, macro-entrepreneurs, entrepreneurs and micro-entrepreneurs, forming a continuum (Josein, 2008).

- a) Macro-entrepreneurs are high-achieving entrepreneurs who see their role in the business as the primary vehicle towards pursuing self-actualisation. They are innovative and creative and have a remarkable risk-taking propensity. What makes them unique is their definition of success, since their drive for self-actualisation is bound up with their ventures, while business success may be measured in terms of growth and profit. Their prime interest may not be truly monetary, but to a certain extent, they see profit, growth and tremendous sales as a convenient measure of success.
  
- b) Micro-entrepreneurs are individuals on the opposite site of the entrepreneurship continuum. Their entrepreneurial drive is much lower while their business ventures are a primary source for family income and employing family resources, as they view their business as an important aspect of their lives rather than being consumed by the venture. Micro-entrepreneurs could not be found in a corporate environment because they seek individual freedom, thus, self-employment is as key motivator for gaining self-esteem. While they are not desperate to pursue growth, as long as their business venture gives them self-satisfaction, they continue their business as usual. Their most important measurement of success is ‘freedom’, which means they are free from being pressured and can afford to support their family financially. They may not pursue innovative approaches since this might restrict their freedom by requiring a high level of involvement; they plateau when

they have reached a comfortable situation, feeling satisfied that they have what they need to survive. They will shift focus outside the business once they achieve the target.

- c) Entrepreneurs are individuals who have an immense amount of self-perception attached to their business. Their main concern about profits and growth is beyond that of micro-entrepreneurs, but they may be found in the corporate environment. Their standard of success is higher than that of micro-entrepreneurs and varies in each level. Their vision is to achieve recognition and advancement as well as dreams, wealth and admiration.

Along the continuum, Carland and Carland (1997) classified a contrast between innovation, ingenuity and tradition. Macro-entrepreneurs would be highly ‘innovative’ about something which does not yet exist in terms of products, services, markets, industries, while any improvement towards products and services is considered ‘ingenuity’, which entrepreneurs demonstrate. Micro-entrepreneurs show neither ‘innovation’ nor ‘ingenuity’ but opt for the ‘traditional’ since they want a more comfortable life because less time be taken away from their personal free time as long an adequate family income is met. Thus, they are likely to produce small, stable, slow progress and a family-owned business type. Table 2.1 summarised the characteristics of entrepreneurial trichotomy along the continuum.

**Table 2.1: The Entrepreneurial Trichotomy as a Paradigm**

<i>Classification</i>	<b>Macro-entrepreneurs</b>	<b>Entrepreneurs</b>	<b>Micro-entrepreneurs</b>
<b>Attitude</b>	Dream for revolutionary actions	Dream for personal success, wealth and accolades	Dream for personal freedom
<b>Behaviour</b>	Innovative	Ingenious	Traditional
<b>Action</b>	New market, service, product and industry	Improved market, service, product and industry	Small, stable, slowly changing, family-owned business type
<b>Consistency</b>	Constantly striving for dominance	Shifts interest at perceived success level	Shifts interest at perceived comfort level

Source: adapted from Carland and Carland (1997)

Carland and Carland (1997) identified the family business owner specifically as a ‘micro-entrepreneur’ whose aim and target in doing business is personal freedom and who is not under

anyone's supervision or job responsibility. After considering broad definitions of entrepreneurship by various authors across different disciplines, for the purpose of this study which is concerned with the effect of ethnic cultures on micro-and small-sized family businesses and their survivability, we shall follow the definition offered by Bhide (2000) which entails new venture creation towards generating employment and growth (Hayton *et al.*, 2002).

Therefore, for the purpose of this thesis, entrepreneurship in a broad sense and with an extended definition is considered as the ability to anticipate change by continuously scanning the environmental context for the purpose of risk-taking and for identifying opportunities to generate profit as 'rewarded risk', to appraise its performance to outweigh competitors through the identification of weaknesses, guided by past experience, and to make strategic adjustments in order to respond effectively to the domestic and global markets.

Studies on attitudes and behaviours have dominated the field of research into entrepreneurial characteristics from as early as in 1775 (by Cantillon) to the present, and characteristics of entrepreneurs, of small business owners, or of a mixture are presented in Table 2.2 (Storey and Greene, 2010; Lopes and Casson, 2007; Casson, 1982 and 1999; Gartner, 1985 and 1990; Carland *et al.*, 1984).

**Table 2.2: Chronological Studies of Entrepreneurial Characteristics**

<b>Date</b>	<b>Author(s)</b>	<b>Key Characteristics</b>
<b>1775</b>	Cantillon	Rational decision making process; assume risk; firm management
<b>1848</b>	Mill	Risk bearing
<b>1917</b>	Weber	Source of formal authority
<b>1934</b>	Schumpeter	Innovation, initiative
<b>1954</b>	Sutton	Desire for responsibility
<b>1961</b>	McClelland	Risk taking, need for achievement (n-Ach)
<b>1963</b>	Davids	Ambition; desire for independence; responsibility; self-confidence
<b>1964</b>	Pickle	Drive/mental; human relations; communication ability; technical knowledge
<b>1971</b>	Palmer	Risk measurement

*continue to page 36.../*

(Continued from Table 2.2; pg. 35)

1971	Hornaday and Abound	Need for achievement; autonomy; aggression; power; recognition; innovative/independent
1973	Winter	Need for power
1974	Borland	Internal locus of control
1977	Gasse	Personal value orientation
1978	Timmons	Drive/self-confidence; goal-oriented moderated risk taker; internal locus of control; creativity /innovation
1980	Sexton	Energetic/ambitious; positive reaction to setbacks
1981	Welsh and White	Need to control; responsibility seeker; self confidence/drive; challenge taker; moderate risk taker
1982	Dunkelberg and Cooper	Growth oriented; independence oriented; craftsman oriented
1982	Casson	The crucial role of the entrepreneur is to make judgmental decisions about the co-ordination of scarce resources
1983	Miller	Risk taking; innovative; aggressive; decision making; strategy; structure; environment
1984	Carland <i>et al.</i>	Differentiation between entrepreneur and entrepreneurial venture; and between small business owner and small business venture
1985	Gartner	New venture creation
1990	Gartner	Entrepreneurship (unique individual personality characteristics); Innovation; organization creation; creating value; profit making (profit/non-profit); growth; uniqueness
1999	Casson	The key role of the entrepreneur is to 'process information' which is both costly and volatile; and the economic environment is continuously disturbed by outside events temporarily or permanently. A successful entrepreneur is able to collect and process information through a disturbed environment in decision making
2007	Lopes and Casson	Entrepreneurial actors are not only limited in technology-based industries but in marketing-based industries through management innovation, and distribution channels require intelligence and skills of the entrepreneurial actor in the branding activities and marketing knowledge.

Source: adopted and adapted from Carland *et al.*, (1984); Gartner, (1985 and 1990); Casson (1982 and 1999); Lopes and Casson (2007); Storey and Greene (2010).

The trait approach study is rather limiting because it implies a connotation of human characteristics that are not adjustable to any modification by situational discrepancies (Rokeach, 1973). This view was supported by Wortman (1987) who found that over half of the studies examined a single set of characteristics of entrepreneurial traits, and the study of psychological and personality traits of entrepreneurs has been unsatisfactory and contradictory (Brockhaus and Horwitz, 1986).



Another approach to studying entrepreneurship is by looking at it from different schools of thought. As depicted in Table 2.3, Cunningham and Lischeron (1991) identified six schools of thought, with underlying different sets of belief for studying personal characteristics.

**Table 2.3: Summary of Models for Entrepreneurship Description**

<b>Entrepreneurship Model by School of Thought</b>	<b>Research Focus/Purpose</b>	<b>Assumption</b>	<b>Behaviours and Skills</b>	<b>Situation</b>
<i>'Great Person' School</i>	Assessing personal qualities	Entrepreneurs are born with intuitive ability, traits and instincts	Intuition, vigour, energy, persistence, self-esteem	<b>Start-up</b>
<i>Classical School</i>	Recognising opportunities	Innovation is a distinct capability of entrepreneurs	Innovation, creativity and discovery	<b>Start-up</b>
<i>Psychological Characteristics School</i>	Assessing personal qualities	Entrepreneurs have unique values, attitudes and needs	Personal values, risk taking, need for achievement	<b>Start-up and early growth</b>
<i>Management School</i>	Acting and managing	Entrepreneurs can be developed and trained	Planning, organising, leading and controlling resources	<b>Early growth and maturity</b>
<i>Leadership School</i>	Acting and managing	Entrepreneurs are leaders adapting style to followers' needs and support toward achieving goal	Motivating, directing and leading towards team's goal	<b>Early growth and maturity</b>
<i>Intrapreneurship School</i>	Reassessing and adapting	Organisation needs to survive by creating independent entrepreneurial activities in existing entity	Awareness of opportunities and maximising decision	<b>Maturity and change</b>

Source: adapted from Cunningham and Lischeron (1991)

Table 2.3 explained most of the entrepreneurship models by the school of thought depending on certain situations according to the purpose of the research, assumption as well as the entrepreneurial behaviours and skills. It is observed that most of them addressed the issues of start-up up and growth, except one explained after the both stages, that of the maturity and change, in which we discuss in our study as long-term survival as for family businesses.

Economists and social scientists have contributed to the study of entrepreneurial identity. Economists can be divided into two categories, classical (early) and neo-classical, while social scientists can be categorised into four disciplines, anthropology, economic (business) history, psychology and sociology. Details of research findings are summarised in Table 2.4.

**Table 2.4: Summary of Key Theory Contributors**

<b>Discipline</b>	<b>School and Theorist</b>	<b>Entrepreneurial Characteristic</b>
<b><i>Classical Economics</i></b> <b>(often referred to as political economy, identified according to country of origin)</b>	<i>The American School</i> (Walker, 1799-1875 and Hawley, 1843-1929)	Creator of wealth, foresight, organisation, administration, energy, leadership, risk and uncertainty.
	<i>The Austrian School</i> (Menger, 1840-1921)	Obtaining information to make decisions and uncertainty.
	<i>The British School</i> (Smith, 1723-1790 and Ricardo, 1772-1823)	Profit as reward for risking capital (capital power) and production demand through <i>laissez-faire</i> approach.
	<i>The French School</i> (Cantillon, 1775 and Say, 1767-1832)	Exchange for profit, risk taker (not innovator), estimating forecast demand but not creating it.
	<i>The German School</i> (Von Thunen, 1785-1850, and Mangoldt, 1842-1858)	Risk taker and innovator
<b><i>Neo-Classical Economics</i></b> <b>(Economic modelling)</b>	<i>Schumpeterian</i> (Schumpeter, 1883-1950 and Knight, 1885-1972)	General equilibrium system, new combination of means of production, innovation is to disturb the <i>status quo</i>
<b>Social Science</b>	<i>Anthropology</i> (Geert, 1926-2006)	Opportunity recognition in community with challenging of community's basic value, belief and culture.
	<i>Economic and Business History</i> (Chandler, 1918-2007)	Focus on enterprise not entrepreneurs, and relationships within the enterprise.
	<i>Psychology</i> (McClelland, 1917-1998)	Risk taker, social deviant, need for achievement, internal locus of control and autonomy.
	<i>Sociology</i> (Weber, 1864-1920)	Charismatic leader as an innovator and influenced by Protestant values toward dedication and immediate gratification through work.

Source: adapted from Casson (1982); Kirby (2003); Storey and Greene (2010)

The tables above show that early studies of entrepreneurs and entrepreneurship derived from simple trait theories which have limited application in the context of entrepreneurship study. However, recent studies are based on more cognitive theories to better explain the complexity innate in entrepreneurial behaviour. Psychological research, for example, has moved from studying entrepreneurial personality and characteristics to the situations that lead to entrepreneurial behaviour. It is therefore suggested that entrepreneurship study can be focused both on the individual, family, group/team, and the societal context to further promote entrepreneurship and small business enterprises (Kirby, 2003).

### **2.3 Ethnic Entrepreneurship: Entrepreneurial Activities in Contrasting Cultures**

Previous literatures on entrepreneurship in contrasting cultures have attracted wide interest among researchers in the area of ethnicity and entrepreneurship or 'ethnic entrepreneurship' studies. The word 'ethnic' is an adjective which refers to the differences between categories of people (Petersen, 1980). When 'ethnic' is applied to a specific group, it indicates that group members have some consciousness of group membership which is attached to similarity of origin, cultural identity and attributes (Yinger, 1985). Subsequently, 'ethnic enterprise' or 'ethnic entrepreneurship' consists of connections between people in social structures as a sub-cultural dimension of ethnicity sharing a common national background or migratory experiences through regular patterns of interaction among themselves in entrepreneurial activities. Regardless of the form of ethnic businesses established, although most are engaged in retail or services, innovation and risk are two major pre-requisites. However, in term of innovation, most small ethnic businesses simply reproduce old forms rather than breaking new ground in terms of products, process or administration. Regardless of the level of innovativeness in ethnic entrepreneurship, the liabilities of newness and smallness affect all forms of businesses, including the ethnic form (Aldrich and Waldinger, 1990; Aldrich and Auster, 1986).

The potential for growth in an ethnic business remains limited to its ethnic market, in that the obstacle to growth is the ethnic market itself which can only support a restricted number of businesses and a small ethnic population which is too weak to provide the purchasing power which is a pre-requisite for growth. Furthermore, the environment surrounding ethnic entrepreneurship is more challenging, since being marginalised for job opportunities in their host

societies leads them to venture into business opportunities in which business conditions for the ethnic market produce an abundance of small units with intense competition and a high failure rate, and the surviving businesses suffer low margins of return (Aldrich and Waldinger, 1990; Mohl, 1985; Aldrich *et al.*, 1983).

There are two dominant theories behind the study of ethnic entrepreneurship and the cultures which embed them in different situational contexts. The theory of the ‘middleman minority’ proposed by Bonacich (1973), and the ‘ethnic enclave’ perspective posited by Portes *et al.* in the 1980s (Wilson and Portes, 1980; Portes and Bach, 1985) offer two different scenarios. The middleman theory argues that particular entrepreneurial activities undertaken by a particular ethnic group function as a service provided to a larger or general population surrounding them, or to less entrepreneurial minorities, and this entrepreneurial culture can be seen in colonial east Africa where South Asians formed a commercial community selling goods to a majority of African customers, which put them ‘in the middle’ between white colonial rulers and the indigenous population. The same situation can be seen in more *laissez-faire* economic nations such as in the US, where the African-American community depends entirely on Korean inner-city retailers. ‘Middle-man’ enterprise shows that the diverse geographical distribution of such ethnicities in different cultural settings will inevitably reflect the distribution of its market population. In contrast with the ‘middle-man’ approach, the ‘ethnic enclave’ focuses on the place where the business activities and residences of ethnic minorities are concentrated. Ethnic minorities achieve better financial returns in such places than if they were located differently, as in the case of Miami’s Cubans who spread themselves in a range of businesses across many economic sectors (McEvoy and Hafeez, 2007; Zhou, 2004).

Previous studies on inter-ethnic competition over entrepreneurship opportunities have found two major outcomes; first, “when the competition is high, ethnic groups concentrate in a limited range of industries”, and second, “at very high levels of competition, a group may be forced out of more lucrative activities, and either squeezed into interstitial lines or pushed out of business altogether”. The former case is exemplified by the Japanese in two countries, Canada and Brazil, where the power of inter-ethnic competition and state policy impacted on their presence in the host countries, while an example of the latter case is the Chinese in Peru and New York City in

the early twentieth century. In Canada, Japanese business competition with the Canadian whites in the late nineteenth and early twentieth centuries led to the complete segregation of the Japanese community from Canadian major social institutions, including losing their right to vote and their access to the professions (Makabe, 1981). In Brazil, however, where inter-ethnic business competition and social exclusion did not materialise, the Japanese enjoyed virtually total industrial accessibility thanks to a good relationship between the Japanese government and the Brazilian authorities, and thus were able to develop social and financial skills in Brazil. The Chinese in the US faced higher ethnic discrimination than in Peru because the US Chinese Exclusion Act of 1882 was not revoked until 1943, while US miscegenation laws were not overturned until 1967 (Wong, 1978). In Peru, on the other hand, the Chinese were involved in a wider range of businesses and few immigration barriers were imposed on them, unlike their position in New York where their activities were concentrated in fewer industries and restricted to Chinatown. Thus, the associational and clan structure of the Chinese community in the US became stronger to protect their interests within their ethnic identity, which was more advantageous for immigrants, compared with the Chinese community in Peru which remained weak. Therefore, economic exclusion strengthens group cohesion, predisposing towards entrepreneurship opportunities as a result of a labour market disadvantage, increasing the density of ethnic networks and improving accessibility to group resources (Ward and Jenkins, 2009; Aldrich and Waldinger, 1990; Parkin, 1979).

Working in small businesses in host countries, immigrant workers begin as temporary workers, working long hours and make savings from profits. When their initial intention to return to their home country has been postponed or ignored, those who have gone through part-time work use their 'acquired related-skills', which equate to 'sunk capital', as an incentive to start self-employment. In contrast, native workers without 'sunk capital' face challenges and are less likely to acquire entrepreneurial skills in the service sector, such as the restaurant or clothing businesses. Furthermore, immigrants are more satisfied with low-profit returns than native-born business owners because of huge wage differences and currency disparity with the host countries (Aldrich and Waldinger, 1990; Bailey, 1987; Light, 1984).

In a contrasting study in Britain, Ward (1987) found that most south Asians preferred to work with someone else rather than being self-employed since wages were higher in some cities compared with being self-employed, which exposed them to business uncertainties in the host country, and Aldrich *et al.* (1983) and Aldrich and Waldinger (1990) labeled south Asians in Britain as having high 'sojourning orientation', which is a preference for working with someone else rather than investing in their own businesses, which is contrary to Koreans in New York working as 'middleman minority' store owners who are less likely to be sojourners. 'Middleman minority' business owners were found to hire different ethnic workers as in the case of Korean garment factory owners hiring Hispanic workers in New York, while German Jewish owners in Los Angeles recruited non-Jewish women in a department store, refuting the general view that the middleman minority only hires co-ethnic workers.

Although separating the effect of cultural values embedded in the ethnicity of immigrants in a host society from the effects of the values generated by their post-immigrant experiences is extremely difficult (Aldrich and Waldinger, 1990; Steinberg, 1981), what is more prevalent is that some ethnic groups have higher rates of small business survival over several generations because in the cultural heritage of those ethnic groups, resource mobilisation consists of 'labour and capital' regardless of the entrepreneurship establishment; this removes the difference between ethnic and non-ethnic entrepreneurs apart from the social and institutional structure which ensures long-term survival, and two additional factors, personalism and familism, are ties which are part of entrepreneurial activities in all capitalist societies (Zimmer and Aldrich, 1987). Thus, studying ethnic businesses in the context of family businesses can show whether structure, institutional or resource mobilization, or all these in combination, are determinants of long-term family business success in any particular ethnic group.

This current study focuses on family business culture, entrepreneurial orientation and the survival of small family businesses in Malaysia by comparing long term survival between two different ethnicities, the Malays as 'native-entrepreneurs' and the Chinese as 'post-immigrant entrepreneurs'.

On researching entrepreneurship in Malaysia, Poponoe (1970: 34) commented:

If we are interested in entrepreneurs as agents of change, we have to be flexible in our definitions. This can be defined as: one who performs the overall coordinating function in bringing together the factors of production to form a new economic enterprise or to significantly alter an existing one by innovation.

Kuratko and Hodgetts (2001: 28) expanded this:

Although no single definition of 'entrepreneur' exists and no one profile can represent today's entrepreneur, research is providing an increasingly sharper focus on the subject.

Thus, in terms of conceptual definition and measurement, the entrepreneurial trait approach study was found to suffer methodological problems, and has led to inconclusive results (Swayne and Tucker, 1973).

## **2.4 Entrepreneurship and Organisational Context**

A multidimensional approach to entrepreneurship study has developed recently, which refers to the diversity of perspectives and the complexity of reconciling them into a comprehensive and meaningful entrepreneurial model in order to get a more complete understanding of entrepreneurial success (Cole, 1969).

Miller and Friesen (1978) combined the strategic management approach and contingency theory to understand the strategy making process (SMP) by examining the organisation and environment in which it occurs. They looked for simultaneous associations among a fairly large number of variables and used a more holistic approach to get at the most common complexes of attributes and relationships which comprise functional and deteriorative organisational and strategy-making events. The fewer these events, the easier it is to see the successful and unsuccessful combinations which occur frequently. The successful combinations can then be used as very tentative models of suitable means of coping with a given environment, while unsuccessful combinations indicate administration situations which are not functioning well.

They further contended that "In describing the adaptive behaviour of any firm, it is necessary to look at the stimuli it receives (its environment), its mediating mechanism (structure), its response repertoire (strategy making), and its resultant health (success)". Their samples were derived from

eighty-one undisclosed cases of business organisation published in *Fortune* Magazine and the Harvard Case Clearing House, and were examined in a longitudinal study.

The results of successful (the first six firms) and unsuccessful (the last four firms) archetypes are shown in Table 2.5.

**Table 2.5: Characteristics of Successful and Unsuccessful Firms in a Given Environment, Organisation and SMP**

<b>Firm Archetype</b>	<b>Environment</b>	<b>Organisation</b>	<b>Strategy Making</b>
1. Adaptive firm under Moderate environment (S)	Dynamism, Heterogeneity Hostility	<i>Vigilant Traditional</i> Delegation Intelligence Strong Leader (Centralisation)	<i>Adaptive Position</i> Expertise Proactiveness Adaptiveness
2. Adaptive firm in a very challenging environment (S)	Dynamism, Heterogeneity Hostility	<i>Organic-Cerebral</i> Delegation- Centralisation Intelligence Technocratisation	<i>Assertive-Analytical</i> Product-Market Innovation Proactiveness Adaptiveness Analysis
3. Dominant firm (S)	Dynamism, Heterogeneity Hostility	<i>Hierarchical</i> Initial Strategy Centralisation Resources	<i>Extrapolation</i> Expertise Integration Innovation Adaptiveness
4. Giant under fire (S)	Dynamism, Heterogeneity Hostility	<i>Decentralised</i> Delegation- Centralisation Intelligence Technocratisation	<i>Incremental-Analytical</i> Analysis Expertise Conscious Strategy Caution (proactiveness)
5. Entrepreneurial conglomerate (S)	Dynamism, Heterogeneity Hostility	<i>Charismatic</i> Centralisation Delegation Intelligence	<i>Manipulation-Expansion</i> Analysis Risk-Taking Proactiveness
6. Innovators (S)	Dynamism, Heterogeneity Hostility	<i>Encephalised</i> Centralisation Initial Strategy	<i>Innovation within Niche</i> Product-market Innovation Proactiveness Expertise Consciousness of Strategy
7. Impulsive firm (F)	Dynamism, Heterogeneity Hostility	<i>Top-Centred- Differentiated</i> Centralisation Low Intelligence (key lack of control) Differentiation	<i>Overextension</i> Risk Taking Proactiveness Analysis

*continue to page 45.../*



(Continued from Table 2.5; pg. 44)

8. Stagnant bureaucracy (F)	Dynamism, Heterogeneity Hostility	Rigid-Bureaucracy Centralisation Low Intelligence Internal Strife (Conflict)	<i>Ultra Conservatism</i> Conservatism (Risk Taking) Proactiveness Innovation Adaptiveness Traditions
9. Headless giant (F)	Dynamism, Heterogeneity Hostility	<i>Leaderless-Diversified</i> No Leadership (centralisation) Division responsible for everything (delegation) Low Intelligence (low control and communication)	<i>Muddling Through</i> Integration Innovation Multiplexity Proactiveness Consiousness of strategy Traditions
10. Aftermath (F)	Dynamism, Heterogeneity Hostility	<i>Makeshift</i> Past Trouble (initial success of strategy) Centralisation Delegation Resource Availability	<i>Grafting &amp; Groping</i> Product Market Innovation Integration Risk Taking

Source: adapted from Miller and Friesen (1978)

Note: (S) successful; (F) failure

They also found that the chief determinants of entrepreneurship on the process by which organisations renew themselves and their markets are pioneering, innovation and risk taking. Previous authors have argued that it is the personality factors of the leader which determine entrepreneurship, some believe that it is the role played by the structure of the organisation, while others have pointed out about the importance of strategy making. Miller (1983) found that the manner and extent to which entrepreneurship is influenced by all these factors would largely depend upon the nature of the organisation.

This review of entrepreneurship and organisational context provides a macro-picture of firm archetypes and characteristics in the major literature in western theories which assumes underlying factors such as environment, organisation and strategy making. Chen (2004) believed that strategy is developed to achieve a fit between an organisation and its environment. Chandler (1979) claimed that structure tends to follow strategy in successful organisations. The existing literature concentrates on small-, medium- and large-scale firms and industries, but focuses less on micro-sized firms. From a strategic view-point, micro-businesses tend to be more

conservative than larger firm and are likely to change incrementally (Storey and Cressy, 1996), and formal strategic planning is not common in small firms (Hall, 1995).

While this thesis attempts to look at micro-and small-sized family businesses in the Malaysian context, it suffers from the lack of literature on eastern theories of management, specifically on family businesses in Asia as compared to mainstream management theories in the West. However, Montagu-Pullock (1991) identified a number of contrasts between Western and Eastern theories of management practices and these are shown in Table 2.6.

**Table 2.6: Key Contrasts between Western and Eastern Theories of Management**

<b>Key Dimensions</b>	<b>Western Theories</b>	<b>Eastern Theories</b>
<b>1. Firm Size</b>	Larger firms are competitive and profitable from economies of scale	Firms perform at best when they stay small
<b>2. Training / Development</b>	Management development is a key factor for company effectiveness	No regular management training for Asia's business tycoon
<b>3. Power / Autonomy</b>	Authority delegation to subordinates and employees	Delegation is dangerous
<b>4. Competitive Strategy</b>	New leadership every few years is needed for sustainability	Stability and consistency are important considerations

Source: adapted from Montagu-Pullock (1991)

It is obvious from Table 2.6 that culture plays an important role in management practices between the two continents. Such differences are to be highlighted to ensure the right application of management theories which have to be decided if cultures are taken into account. The Eastern theory of management practice in terms of firm size, training, autonomy and competitive advantage are identical to family business types in most Asian countries, in which less capital is incurred compared with Western theory; Asian firms are more labour intensive than capital intensive, have more authoritative or paternalistic-type leadership, and pursue personal success and long term survivability to ensure that business succession takes place.

## **2.5 Contingency and Organisational Theory**

Environmental uncertainty and organisational change are factors underlying the effectiveness of organisational establishment. From the contingency perspective, a mechanistic structure emphasizing centralisation, formalisation, standardisation and specialisation towards achieving efficiency and consistency is suggested. Certainty and predictability permit the use of policies, rules and procedures to guide decision making for routine tasks and problems. Under unstable environments, it is suggested that organic structures emphasizing decentralisation will achieve flexibility and adaptability. Thus, general problem-solving methods for non-routine tasks and problems are required under uncertainty and unpredictability. It is proposed that organisational units operating in differing environments develop different internal unit characteristics, hence the greater the internal differences, the greater the need for coordination between units (Josien, 2008).

Size of organisation is a contingency variable; if it is small it can operate more informally, while larger firms need more formality. The owner of a small organisation tends to have more command in the organisation without a proper divisional structure, while a large firm behaves in a more complex way using indirect control mechanisms, such as specialised divisions and resources to ensure that the job is done.

Customer diversity across the globe may need different product and support service facilities. Operating in another country, an organisation must abide by the laws imposed in that country. Organisations operating across borders may have to adopt different organisational structures, managerial practices, procedures, products and services to comply with the host country's cultural values, preferences and expectations (Lawrence and Lorsch, 1967; Josien, 2008).

The idea of organisational size and level of efficiency is further supported by Miller (1983) who suggested that there are three types of firm found in the study of entrepreneurial determinants. Unlike Lawrence and Lorsch (1967), Miller divided entrepreneurial firms into 'simple' firms which are small but their power is centralised at the top, while 'planning' firms are bigger, their goal being well planned and efficient by using more formal controls and plans. The third type are

‘organic’ firms which strive to be more adaptive to their environments, emphasizing expertise-based power and more open communication.

## **2.6. Economic Perspective and Entrepreneurship**

Casson (1982) made a significant contribution to developing an economic theory of the entrepreneur within or close to the established economic theory. He argued that economics is the only one of the social sciences which does not have an established theory of the entrepreneur. Nevertheless, entrepreneurs have an important function in the economy. He criticised neoclassical and orthodox economic theory for being static and unable to make a satisfactory account of the economic function of the entrepreneur because “all the functions that need to be performed are already performed by someone else”. So Casson made two theoretical reconstructions. The first was an intuitive objection to neoclassical economics and its “translation of the invisible hand into an assumption of perfectly competitive market equilibrium. [...] It depersonalizes the market process”. It is important to “resolve the tension that exists between the invisible hand of Adam Smith and the all-too-visible hand of the entrepreneur”. The first revision was to recognize that individuals not only differ in preference but also in their access to information. The second revision was to recognize transaction costs in the organising of the market.

Casson (1982) defined an entrepreneur as “someone who specializes in making judgmental decisions about the coordination of scarce resources”, and made three further observations; first, entrepreneurship appears as a personal quality which enables particular individuals to make decisions with far-reaching consequences; second, that “The entrepreneur has better – or at least more relevant – information than other people”; and third, that “It is assumed that entrepreneurs are motivated by self-interest. [...] To simplify the theory it is assumed that entrepreneurs operate their business purely with a view to maximizing the profit they obtain from a given amount of effort. [...] Although this assumption is clearly counter-factual, the resulting theory goes a long way towards explaining entrepreneurial behaviour”. The entrepreneur believes that he is right, while everyone else is wrong. Thus the essence of entrepreneurship is being different because you have a different perception of the situation.

The value of Casson's (1982) contribution is associated with the aim of incorporating entrepreneurship within a formalised economic model. This may be interpreted as an attempt to overcome the problem with the treatment of entrepreneurship in economic theory pointed out by Penrose (1972). Casson (1982) also contributed by clarifying the behavioural and information assumptions on which an economic approach to entrepreneurship may be built and not least by giving a detailed presentation of an economic approach to entrepreneurship. In conclusion to this discussion of Casson's contribution, it may be argued that the economic motive is not sufficient to explain entrepreneurship, although it is an important factor. The phenomenon 'entrepreneurship' cannot be reduced to the economic aspects if a sufficient understanding and explanation is the aim. A theory of entrepreneurship which rests on a rational economic agent view, which only takes the economic aspects of decision-making into account, and which is not able to incorporate cognitive limitations does not seem to be able to offer a sufficient explanation of the historical developments or act as a theoretical foundation for public entrepreneur policies, although it does include an important understanding of the economic elements. A revision of the model which takes into account bounded rationality and satisfying behaviour is not able to overcome the problems with social embeddedness and its influence on decision making (Aldrich and Zimmer, 1986; Granovetter, 1985).

## **2.7 The Resource-Based View (RBV) and Entrepreneurship**

Resources in the RBV are defined as the tangible and intangible assets that a firm controls to implement its strategies. Capabilities are a subset of a firm's resources and are defined as the tangible and intangible assets that enable a firm to take full advantage of the other resources it controls. Capabilities alone do not enable a firm to exploit its strategies, but they enable it to use other resources to conceive and implement them. There are four categories of resources: financial resources (cash, equity, bonds); physical resources (plans, equipment, location); individual/human resources (training, experience, judgement, insight of individual managers and workers); and organisational resources (structure, culture and reputation) within a firm in its environment (Barney and Hesterly, 2008: 74-75).

The resource-based theory of entrepreneurship focuses on the strengths, assets and capability of entrepreneurs and their ventures, and more importantly it emphasizes resources and differences

that characterize the ‘uniqueness’ of entrepreneurial resources and the founding of a firm. Entrepreneurs are individuals who are ‘unique resources’ (Dollinger, 2003: 25-26) to the firm, controlling these resources and able to obtain them in the future. Resource-based theory values creativity, uniqueness, entrepreneurial vision and intuition, and a history of creation of new ventures (Barney, 2001: 44-45).

Furthermore, in order to adapt ‘imperfect imitation’ to external uncertainties, Grant (1991) laid out his world-view of RBV as follows, “In a world where customer preferences are volatile, the identity of customers is changing and the technologies for serving customer requirements are continually evolving, an externally focused orientation does not provide a secure foundation for formulating long term strategy. When the external environment is in a state of flux, the firm’s own resources and capability may be a much more stable basis for strategy than a definition based upon the needs which the business seeks to satisfy” (Grant, 1991: 5).

The characteristics of a firm’s physical capital, human capital and organisational capital are not assured by strategically relevant resources; moreover some of them may prevent a firm from implementing strategies that reduce its effectiveness and efficiency. Thus, such resources can be exploited as a source of sustained competitive advantage (SCA) by improving a firm’s efficiency and effectiveness (Barney, 1991: 102; Wernerfelt, 1984).

## **2.8 Family ‘Uniqueness’ as a Firm’s Resources (‘Familianness’)**

The resource-based view identified a firm’s uniqueness as rareness, inimitability and non-substitutability (Barney, 1991; Hafeez *et al.*, 2002). Family firms have several unique resources that have been referred to as its ‘familianness’ (Habbershon and William, 1999). The familianness resources which can differentiate between a family and a non-family business are human capital, social capital, patience, survivability and governance structure (Sirmon and Hitt, 2003).

Yasemin *et al.* (2007: 1193) considered that the subjectivity of entrepreneurial opportunities is derived from an entrepreneur’s personal knowledge by optimizing a unique bundle of resources, citing from Penrose (1959: 85):

There is a close relation between the various kinds of resources with which a firm works and the development of the idea, experience, and knowledge of its

managers, and entrepreneurs, and we have seen how changing experience, and knowledge of its managers, and entrepreneurs affect not only the productive services available from resources, but also demand as seen by the firm.

Penrose (1959) also implied that historical interaction within the firm's resources and management builds firm-specific knowledge for managers. Thus, entrepreneurial experience with thorough understanding can generate 'hard-to-imitate' advantages (Yasemin *et al.*, 2007: 1196).

Analysis of firm-level resources and their individual unique characteristics is very useful for understanding the bundle of resources as the sustainability of competitive advantage, and how particular resource combinations are manageable (Becerra, 2008: 1112). Barney (1991) argues that in order for resources to be valuable, they must be unique as a basis for SCA, by adding organisational skills in exploiting resources as an important condition for realising the full potential of the resources towards superior performance (Becerra, 2008; Barney, 1997).

Table 2.7 depicts some of the outcomes of studies in relation to 'familiness' in family businesses from different theoretical view-points (Pearson *et al.*, 2008: 951).

**Table 2.7: 'Familiness' Research and View-Points**

	<b>Research Study</b>	<b>Theoretical View-points</b>	<b>Research Conclusions</b>
<b>1.</b>	Craig and Moores, 2005	Evolutionary Theory	Describe familiness as a 'core essence' of family firms and integrate the concept into strategic balanced scorecard approach
<b>2.</b>	Ensley and Pearson, 2005	Top Management Team and Social Capital Theory	Group dynamics of a family are defined by interactions of the top management team; familiness is positively related to group dynamics
<b>3.</b>	Hayton, 2006	RBV of the firm and system theory	Familiness as it relates to successful or unsuccessful HR practices for family versus non-family

*continue to page 52.../*

(Continued from Table 2.7; pg. 51)

4.	Lester and Canella, 2006	Social Capital Theory	Interorganisational familiness as reflected in the broad linkages that create and support family firms
5.	Ram and Holliday, 1993	Family Sociology	Familiness represents the social relationship of the family, reflected in the flexibility and constraints created within the workplace
6.	Tokarczky, Hansen, Green and Down, 2007	RBV of the firm	Qualitative study, which links familiness as a competitive advantage through improved market orientation

Source: Pearson *et al.* (2008: 951)

In Table 2.7, the ‘unique resources’ of ‘familiness’ are described from various perspectives, from the strategic balanced score-card approach which identifies ‘familiness’ as the core essence of a family business’s future direction, to the creation and development of family social capital which is embedded in the family and business components’ systems through family business networking, loyalty, trustworthiness and competitive advantage between family business owners and outsiders such as suppliers, customers and potential competitors.

## 2.9 Family Business

Family involvement in the business is what makes the family business different (Miller and Rice, 1967). Most researchers interpret family involvement as ownership and management (Handler, 1989). Regrettably they cannot distinguish between two firms with same level of family involvement when one considers itself a family business while the other does not. Thus, there is a need to develop a definition that captures the essence of the family business and can be used to differentiate the family business, in theory, research and practice, from the non-family business.

### 2.9.1 Definition and Characteristics

General agreement over the definition of a family business and its features has not yet emerged among academics since previous studies theoretically and empirically focused on different elements which differentiate family and non-family firms (Songini, 2006). Some studies have been based on the family’s influence on the strategic direction of the firm (Davis and Tagiuri, 1989; Shanker and Astrachan, 1996), while others have focused on the intention of the family to



maintain control of the business over generations, and recent empirical research has shown that it is a common characteristic of many family firms that they have been involved in entrepreneurial activity and have been viewed as examples of entrepreneurial firms (Litz, 1995). Others have been concerned with the different features of family-owned businesses such as control of the dominant coalition (Chua *et al.*, 1999), the presence of unique and peculiar resources and capabilities such as ‘familiness’ (Habbershon *et al.*, 2003); Astrachan *et al.* (2002) considered three dimensions of family influence: power (ownership, governance and management), experience (family contribution to the business and succession) and culture (overlapping between family values, business values and family business commitment) which known as ‘F-PEC’. However, there were no significant differences quantitatively or qualitatively in terms of performance (financial) and non-financial indicators among family and non-family firms (Westhead and Cowling, 1997; Poutziouris and Chittenden, 1996).

Dyer (1988) identified family firm cultures, family patterns and governance patterns. He determined the culture of forty family firms, describing them as paternalistic, *laissez-faire*, participative or professional. The most prevalent family business culture was paternalistic. Dyer (1984) also identified four ‘governance patterns’ and three ‘family patterns’ associated with firm culture. One shortcoming of Dyer’s cultural and family patterns is the lack of focus on the family as a crucible for creating and transmitting culture, particularly in the case of entrepreneurial emergence (Astrachan, 1988; Dyer, 1984; Dyer, 1988).

For the purpose of this study, as the most widely accepted definition, we use Chua, *et al.*, (1999: 25) conceptual definition of a family business as “a business governed and/or managed with the intention to shape and pursue the vision of the business held by the dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families”. It is vital to point out that this definition is based on behaviour and not a list of components. It covers the nuclear-family-controlled firm (and even publicly-held firm) that is shaped and managed by two or more generations of a family that might not hold the controlling interest in the firm. The ‘dominant coalition’ refers to the powerful actors in an organisation who control the overall organisation agenda (Cyert and March, 1963; Hambrick and Mason, 1984).

The difficulty occurs when studies attempt to develop an operational definition of a family business. Most of these attempts seem to discuss the role of family in the business in terms of ownership, control, management and intergenerational succession planning (Ibrahim *et al.*, 2008).

A review of over 250 literatures on family business has shown that Chua *et al.* (1999: 25) simplified the term 'family businesses' by differentiating between governance and management, controlling ownership or family management alone, and requiring both ownership and management. Hence, the definitions may include three qualifying combinations of ownership and management, although combination (a) is considered to be a family business. However, there is disagreement over the two other combinations, although most researchers have preferred combination (b) over (c). These three combinations are; (a) family-owned and family managed; (b) family-owned but not family managed; and, (c) family-managed but not family-owned. It seems that Chua *et al.*'s (1999: 25) family business definition could only apply to micro-, small- and medium-sized family firms. However, for large and multinational corporations, Lopes (2007) discussed four types of corporate governance of family ownership; first, a firm is 'entrepreneurial based' when 'personal' control and 'insider' ownership is in the majority of the firm's governance; second, it is 'technology based' when characterised by 'managerial control' and 'outsider ownership', third, it is 'information based' when it relies on 'personal' control and 'outsider' ownership; and fourth, a firm is characterised as 'marketing based' when it has 'managerial' control and 'insider' ownership. Lopes (2007) extended the work on national business systems originated by Jenkinson and Mayer (1992) on types of ownership when they classified business systems as 'outsider' and 'insider' systems, when the former's shares are held either by a small number of other firms, financial institutions and family members, while in the latter case, ownership is held by a large number of individual and institutional investors.

While other definitions do not require 'family ownership' but 'controlling ownership', they nevertheless imply it, explicitly or implicitly, even though they may differ in respect of the acceptable patterns of controlling ownership. These patterns are: an individual; two persons unrelated by blood or marriage; two persons related by blood or marriage; a nuclear family; more than one nuclear family; an extended family; more than one extended family; and the public.

The definitions which are totally based on family ownership collectively consider ownership by a nuclear family to be a qualifying ownership pattern. They disagree about all others, especially public ownership. However, researchers hold different views when particular combinations of ownership pattern and involvement deviate from this.

Arguably, how can you explain that a family business is shaped by ownership and management? A firm wholly-owned by a family may be treated as a passive portfolio investment. At the other end of the scale, a family-managed but not family-owned firm may be operated predominantly to transcend the aspirations of the family managing the firm with consequent benefits for that family, or it may be operated for the sake of unrelated shareholders. Chua *et al.* (1999) stressed:

Making matters worse, there are no clear-cut demarcations on how much ownership or management is necessary to qualify the firm as a family business. Should it be complete ownership, majority ownership, or controlling ownership? The presence or absence of successor offers no better solution to this difficulty.

From their empirical research, they further contended that three characteristics distinguish family businesses: vision, intention and behaviour, and that in a family business the main vision is to ensure that the business will sustain and succeed through later generations, employing family members and giving them exposure and experience to further develop their skills, attitudes and behaviours in managing family businesses, although nepotism and cronyism are two distinct behaviours which have received huge criticism in family business literature but which mark a difference between a family and a non-family business set-up.

Zahra *et al.*, (2004) offered a definition of a family business in relation to generational leadership unlike Chua *et al.*'s (1999) definition by contending that "family firms are defined as those businesses that report some identifiable share of ownership by at least one family member and having multiple generations in leadership positions within that firm".

Another working definition of a family business offered by Leach (2007) argues that the rigid criterion of share ownership or management composition often leads to an inadequate picture and the wrong conclusions. He defined a family business as one which "is influenced by a family or by family relationship, and that perceives itself to be a family business". The family firm as the main body may effectively control business operations "because it owns more than 50

percent [of the] voting shares, or because family members fill a significant number of the top management position”. In more mature family businesses, the number of shareholders may have multiplied across the generations, by having a stock exchange listing of significantly less than 50 percent of the shares, so effective family voting can maintain control of the firm’s management decisions.

It can be observed that under the definition used for this study, some of the previous researchers did specify a percentage of shareholding in terms of ownership which refers to family entity and some did not. For this study of micro- and small-sized family businesses with sole proprietorship, we use category (a) defined by Chua *et al.* (1999), “family-owned and family managed”, to denote a firm which consists of concurrent ownership and management to avoid any further confusion about an operational definition for this study.

**2.9.2 Family Business: Stages of Goals and Objectives**

Few attempts have been made to identify the differences between family and non-family businesses in term of goals and objectives. Some researchers believe that the family firm’s goals could be either family or business centred (Singer and Donoho, 1992), while others view goals as subject to the interest of family and firm concurrently (Davis and Taguiri, 1989).

Sharma *et al.* (1997) considered it necessary to understand what the business’s goals are, who set them, and why the business selects particular goals in family firms. It is important to be aware of differences in the goals of family firms and to avoid lumping such firms together to get a more conclusive result. Table 2.8 summarises the three-stage development model of the family business.

**Table 2.8: Three-Stage Development Model for a Family Business**

Stage	Key Characteristics
<b>I</b>	Consistency between the needs of the business and the family whereby the owner makes all decisions during this stage. Particularly during this stage, research on motivation and characteristics of the founder can be very useful for indentifying some of the goals of family enterprises (Hollander and Elman, 1988).

*continue to page 57.../*

(Continued from Table 2.8; pg.56)

<b>II</b>	Owner-manager remains in control of the firm's operation, when the growth of the family's children is of primary importance to the family. Subsequently, the goals of the family business are changeable especially in finding a proper place to secure the business for the successors.
<b>III</b>	Interest of business and family leads to conflict with the business affected and to stagnation which needs to be regenerated; the owner-manager can become bored or retire and family harmony becomes a higher interest than the business. Thus, business goals and objectives are likely to be changeable as a result of family needs in setting up a family business.

Source: adapted from Ward (1987)

In Table 2.8, Ward (1987) differentiated three stages of family business as opposed to the common business or firm life cycle, or OLC which moves through inception, survival, growth, maturity and decline. Although Ward (1987) did not label the three stages, we can define them based on the key characteristics offered by Ward (1987) with stage I as the 'start-up-survival stage', stage II as the 'mature-survival' stage, and stage III as the 'conflict-survival' stage, because of the conflict between grooming interested children as successors, selling it off to outsiders or closing it completely. Thus, Ward's (1987) categorisation does not explain the characteristics of successful succession to a later generation, so we assume that a stage IV should be added as 'successful succession', in which the family firm achieves the long-term vision for generational succession.

Studies of immigrant Chinese and African-American family businesses have led to some indications of how a family firm's goals differ and influence decision making. Dean (1992) and Wong *et al.* (1992) found that succession is not a priority, since families view their firms as the means to prepare their children for a professional career path, and not as a family legacy.

Tagiuri and Davis (1992) found six important goals of having a family business: having a company where employees can be happy, productive and proud; providing financial security and benefits for the owner; new quality product development; personal growth, social mobility and autonomy seeking; promoting good corporate citizenship; and job security.

It is worth noting the finding that family businesses keep changing their goals rather than having consistent goals. Research is therefore needed to understand the goals and objectives of having a family business, ranging across different industries, different sized firms, length of years in operation, and whether run by founder or later owner/manager, to understand the underlying characteristics of each type of firm (Sharma *et al.*, 1997).

### 2.9.3 Family Business Dynamics

Family businesses have a special dynamics set which differentiates them from other types of enterprise. In the early stages of a family business, family involvement is confined to just a few individuals regardless of the size of the business; each family member has his/her own set of attitudes, opinions, objectives and problems. Thus, a clear understanding of how a family business operates may need an awareness of the background and unique perspective of each of the major participants. Leach (2007) categorised a set of dynamics which works in family businesses at three levels as summarised in Table 2.9:

**Table 2.9: Family Business Dynamics**

Levels	Family Business Dynamics
<i>People</i>	affects the people who participate in the venture
<i>Systems</i>	affect the way in which the business is organised and operated
<i>Growing Complexity</i>	lays the way for family firms to become more complex with the passing of time (survival and growth) and generational transition

Source: Leach (2007)

Table 2.9 explains that ‘family business dynamics’ is the combination of three levels: the ‘people level’ is people-centered concerning the overall business operations as being share-holders of the family firm, while the ‘systems level’ is system-centered and concerns day-to-day management. At this level, if the firm is wholly-owned by the founder (the characteristic of micro- to small-sized family businesses), the family and business components systems as proposed by Gersick *et al.* (1997) of ‘component 7’ apply (*see* Table 1.1). However, if there are multiple shareholders including non-family members (usually a characteristic of medium- to large-scale family firms), a professional management is appointed and ‘component 4’ and ‘component 5’ of

Gersick *et al.*'s (1997) model are applied. The third level is the 'survival stage', as in Ward's (1997) three-stage development model.

Davis (1990) provides a significant distinction between entrepreneurs and founders:

Though all founders of family business are entrepreneurs, not all entrepreneurs become founders. Founders are typically intuitive and emotional people. They obviously have the drive and ambition to build a great business, but they also have a feeling about the place, a love of what they have created that makes them want to perpetuate it through generations.

He identifies three types of founder: proprietors, conductors and technicians. Since the founder's personality, attitudes and behaviour delineate all stages of the development of a family business, and his influence is prolonged after he is dead, some of the main characteristics of founders in these categories are worth highlighting. In contrast, Leach (2007) argues that although most family business founders may fall into one of the three categories described, it is worth noting that the groupings are arbitrary in that many founders will demonstrate some characteristics of all three types.

Table 2.10 summarises the key characteristics of the three types of founder of family businesses described by Davis (1990).

**Table 2.10: Founders' Type and Characteristics of Family Business**

Founder's Type	Key Characteristics
<i>Proprietor</i>	<ul style="list-style-type: none"> <li>• ownership of the business is central;</li> <li>• authoritarian (dominating) regime;</li> <li>• less professionalised;</li> <li>• emphasis on properly motivated and talented people within the firm;</li> <li>• family members (children) become submissive to the founder</li> </ul>

*continue to page 60.../*

(Continued from Table 2.10; pg. 59)

<b>Conductor</b>	<ul style="list-style-type: none"> <li>• develops good staff talent;</li> <li>• delegates responsibility;</li> <li>• fosters efficiency and harmony;</li> <li>• mutual relationship; father-son involvement;</li> <li>• proud of family and family business;</li> <li>• paternalistic;</li> <li>• avoids facing the dilemma of succession as the business matures;</li> <li>• business culture is built but not well equipped to take stress and tension of succession</li> </ul>
<b>Technician</b>	<ul style="list-style-type: none"> <li>• obsession about creating technical skills;</li> <li>• dislikes administration and day-to-day routine management;</li> <li>• brings non-family managers to delegate the management role;</li> <li>• unwilling to pass technical skills to children except the one chosen to be successor;</li> <li>• Children often take up a management role and thus a conflict is created against non-family member managers;</li> <li>• the company may not survive with only the founder's technical skills perpetuated and not the management skills as a whole.</li> </ul>

Source: Davis (1990)

Whether proprietor, conductor or technician, a founder's characteristics do not develop the family firm into generational succession since each type of founder is fragmented and narrowed into each speciality and is unable to balance between family interest and business interest, so, as suggested by the literature, a family firm can only survive to later generations by balancing the overlapping components' systems (Gersick *et al.*, 1997), including loyalty and trustworthiness among family members and the successor to be.

Proprietor founders may simply want to control their children but not develop them to ensure a smooth transition, but in the end the children may become silent protesters and adopt a rebellious strategy towards the founder. In contrast, the conductor founder is more willing to develop the potential of his children by delegating power and exposing them to different areas of the firm's operation, but tension arises when it comes to the issue of succession not being well discussed among them, and the worst scenario occurs when the technician founder realises that the secret recipe of his business success, that is, the technical know-how, is the part he has disseminated least to his children, since the children have only been delegated and well-experienced in management and day-to-day operations. These stages of family business scenario are often found in the early stages of a venture until the succession issue arises.



#### **2.9.4 Family Business and non-Family Business: A Comparison**

A family business consists of a family system and a business system with both having significant effects on gross revenue and the owner's perceived success and long term survival. Olson *et al.* (2003) found that reducing family tension, living in a two- or three-generation family, reallocating time from sleep to the business and hiring temporary help during hectic periods increased business revenue. Furthermore, business assets, age of the business, personal management, and owner's weekly hours in the business, family employees and hiring temporary help were positively associated with increased achievements for both the business and the family. As a result, the family had a greater effect on the business than the business had on the family.

Three characteristics of the family form of governance have been found which distinguish them from non-family businesses: parsimony, personalism and particularism. Parsimony is characterised as the tendency of a family firm to be concerned about financial resources since those resources belong to them; while personalism is due to the unique power resulting from the overlapping of ownership and control in the family holding. Particularism is a result of legitimate power concentration and the use of discretion (Poza, 2010; Chrisman *et al.*, 2006; Carney, 2005).

Previous literature on how businesses need to operate for long-term sustainability has followed extensive research on business long term survival (Cliff, 1997; Ensley and Spenser, 1997; Bates, 1990). Habershon *et al.* (2003) argued that the discussion of strategy, planning and growth, or performance leads to the tensions and contradictions that arise between the family system and the business. These differences in a family business are a result of the contradictions in the nature of the family that arise between the 'family system' and the 'business system', since 'families' tend to be emotional, protective of their members, grant acceptance unconditionally, create and maintain cohesiveness to support the family 'paradigm' as the core assumptions, and have beliefs and values which create a family business culture in relation to its environment; while 'businesses' are objective, much less protective, granting acceptance by merit. Any information which is not in line with the family paradigm is resisted and ignored which results in less change in a family business. Generally, lack of strategic planning in family businesses has contributed to

their high failure rate as they endeavour to survive for longer as they can exist as family businesses from one generation to the next since family businesses imply strategies that are “narrowly focused on customer needs in a local market” and are difficult to change because of the family system’s influence on the business. Therefore, family businesses rarely expand internationally (Gudmundson *et al.*, 1999; Ward, 1988; Davis, 1983).

By nature, family businesses are complicated by the dynamics within the owning family. These dynamics not only affect business performance *per se* but also business growth, change and transition over time as well as family well-being outcomes (Heck and Stafford, 1999). The Sustainability Family Business (SFB) model was proposed by Stafford *et al.* (1999) to show that the sustainability of a family business depends on both business success and family function (Olson *et al.*, 2003). Anyone in either system may affect each or both parts of systems (Heck and Trent, 1999). Aldrich (1999) found that a social network, including the family, offers a social context in which the family business initiates, grows and transitions.

According to Olson *et al.* (2003), “the model recognises each system as a viable social entity by acknowledging both the concrete resources of each system and the interpersonal transactions that occur within each system”. While the literature on family business success and performance is more concerned with business system issues, family tasks and values are often regarded as acting against the business (Whiteside and Brown, 1991). This view seems to consider the tendency that the family as a system may hamper the functioning of the business (Ward, 1997), since the family is often labelled as the emotional arena as against the rational arena of the business. Women are often seen as playing a problematic role in family businesses, and are seen as the part of equation that must be managed (Whiteside and Brown, 1991). In contrast, Dumas (1998) and Francis (1999) argued that women can contribute and lead both in the family and the business.

Family businesses have the potential for resource allocation and exchange between the family and the business systems (Winter and Morris, 1998). The family system can be a source of capital for the business system, but the income generated in the business system partly supports the needs of the family system. When changes occur within a family business, the system may be forced to adapt, which may include the current allocation of resources in each system and the

agreement related to the mixed resources across systems (Stafford *et al.*, 1999). As result, family resources such as savings and liquidating investment can be used as one of the ways to survive during economic turmoil and continuous business funding can be provided by utilising free family labour or cutting wages among family employees (Olson *et al.*, 2003).

Haynes *et al.* (1999) suggested that on the one hand, the use of family financial resources in the business was more likely to happen in sole proprietorship in certain conditions: when the business owes money to financial institutions; when the business owner is older and more experienced; and when the owner has no children to take over. On the other hand, family use of business financial resources was more likely if the business was incorporated, located in a rural area or had borrowed money. Lenders examine household financial documents (assets, liability, equity and income) when deciding whether to loan money to a small business owner; however, it was found that while household financial statements may be good indicators for male-owned businesses, they seem to be much less reliable for female-owned business (Haynes *et al.*, 2000).

In previous comparative studies, the tenure of Chief Executive Officers (CEOs) in family business has been found to be generally much longer than in non-family business. This can be explained by the fact that representation on the senior management team consisted of 25 percent family members, while 80 percent of those firms hired company directors from among family-related people as a result of the 'family' element in a family business (Smith, 2007; Moores and Mula, 2000; Westhead *et al.*, 2001). As a result of this pattern of family business management, conflict often arises between the family way and the business way of doing things, making the business vulnerable to nepotism, family disputes and succession issues (Kets de Vries, 1993; Ward, 1987), having smaller management teams in retail businesses when the age of firm is more than in other industries (Cromie *et al.*, 1995; Smith, 2007), and having less tertiary education than non-family businesses (Jorissen *et al.*, 2005). In studies of family firms, success is often defined in broader terms, including non-financial performance or long term survival, as in this thesis. While the focus is on family relationships, aspects of entrepreneurial behaviour are mostly neglected. These aspects of both non-family business and family business literature are summed up in Table 2.11 which illustrates a prototypical overview of these two perspectives specifying assumptions about the type of firm, industry, ownership, resource challenge, planning

horizon, measures of performance and corresponding research focus (Zellweger and Sieger, 2012).

**Table 2.11: Comparison between Non-Family Businesses and Family Businesses**

<b>Dimension</b>	<b>Non-Family Business</b>	<b>Family Business</b>
Type of firm	Young, newly-created, often fast-growing, small and mid-sized firms	Established, traditional, often multigenerational, and larger firms
Type of industry	Growing and dynamic industries and markets	Mature industries and saturated markets
Type of ownership	Owner-managed/first-generation Individual partnerships	Family ownership through multigenerational or succession
Resource challenge	Adding resources to establish an organisation in a competitive environment	Reconfiguring and shedding resources to continue and readjust an organisation in a competitive environment
Planning Horizon	Short Term	Long Term (successional)
Measures of success and performance	1. Financial performance 2. Taking advantage of opportunities in the market	1. Survival and family succession 2. Meeting a mixed goal set of financial and nonfinancial performance dimensions
Main focus of research	Entrepreneurial behaviour (family relationships are widely neglected)	Family relationships in a business context (entrepreneurial behaviour is widely neglected)

Sources: adapted from Gartner (1990); Hoy (1992); Hoy and Verser (1994); Brockhaus (1994); Zahra and Sharma (2004); Zellweger and Sieger (2012).

Table 2.11 shows that that recent literature suggests that the family firm is a long-term planning type of business, although it operates in a traditional manner, with more market orientation than product orientation, since most family businesses are retail-type business than manufacturing or production, thus, the survival of a family business is achieved through financial growth and non-financial goals such as the satisfaction of family members or business partners of the extended family, and making the business succeed into later generations.

### **2.9.5 Organisational Culture: the Uniqueness of Family Businesses**

The definition and concept of culture has changed since the nineteenth century from Tylor's definition of culture in 1871 as "that complex whole which includes knowledge, beliefs, art, morals, law, custom, and any other capabilities and habits acquired by man as a member of society". Kroeber (1948) extended Tylor's definition by adding "technologies, ideals and rules;

what is learned from other men, from elders, and what is added to it". However, Kroeber's definition is closely related to Tylor's with the difference in the understanding of culture as a 'learned behaviour', thus implying that there has been little progress in the concept of culture during that time. Parsons (1951) separated cultural components, that is cultural or belief systems, to explain more precisely the earlier definitions of Taylor and Kroeber. Parsons's classification worked through two cross-cutting principles of whether the culture and belief systems are linked by 'cognitive ideas' or 'evaluative ideas', in that the former term deals with ideas such as the formation of day and night, heaven and hell and the like, while the latter argues ideas on the basis of evaluation or attributes such as good *versus* bad, beauty *versus* ugliness and the like. Of the two principles, four segmentations were then proposed according to whether an idea is "empirically verifiable or not". Cognitive ideas which are empirically verifiable were categorised as 'knowledge', while those not verifiable are 'philosophical ideas'. The same goes for 'evaluative ideas'; if verified empirically they are categorised as 'ideology', while those non-verifiable empirically may be called 'religious ideas' (Alexander and Kumaran, 1992).

Kluckhohn (1951) gave a new dimension to the concept by stating that culture is:

patterned ways of thinking, feeling and reacting, acquired and transmitted mainly by symbols, constituting and distinctive achievements of human groups, including their embodiments in artifacts: the essential core of culture consists of traditional (i.e. historically derived and selected) ideas and especially their attached values.

Kluckhohn's culture dimension is an accumulated social heritage which is acquired by man as a member of a society emphasising that a culture is shared and has distinctive forms or patterns which shape human behaviour, and its essence is the value embodied in the beliefs of the people, thus making value orientation patterns the essential feature of culture, and other aspects of culture such as empirical knowledge, technologies, religious beliefs, ideologies, skills and artifacts are related to it. Extending Kroeber's 'learned behaviour' and Kluckhohn's social heritage, Hofstede (2001) regarded culture as "the collective programming of the mind that distinguishes the members of one group or category of people from another". Consequently, Schein (1985) viewed culture in the organisational context as consisting of three different levels: artifacts, values and assumptions. A scale of perception exists from the first level to the third level. Thus, artifacts are the most clearly perceptible manifestation of culture, while the

perception of values, and especially of assumptions, is more difficult. For this reason, values and assumptions are known as the two invisible levels of the organisational culture (Vallejo, 2009).

The family firm has attributes that are characteristic of any system (Vallejo, 2009). However, the concept of a family firm in the context of general systems theory is notably different from the concept of any other type of firm. This difference resides fundamentally in the number of sub-systems that interact in and condition its operation. In the structure of any firm system, two sub-systems can be recognised: the ownership sub-system and the business sub-system (or the sub-system of the firm itself). Within this perspective, however, the family firm has an additional sub-system labelled the 'family sub-system'.

This sub-system has an important influence on both the structure and the operation of the family firm, but especially on the culture of the firm system as a whole (Churchill and Hatten 1987). Thus, family firm managers have to contend with the needs of each sub-system when they formulate goals (Tagiuri and Davis 1992). In contrast to this tri-systemic model, Astrachan (1988) proposed a tetra-systemic model, which added a fourth sub-system, the so-called 'community' sub-system, in an attempt to reflect the influence on the family firm itself of the culture and idiosyncrasies of the community in which it was founded and within which it operates. Donckels and Frohlick (1991) also proposed a tetra-systemic model comprised of the following sub-systems: management, ownership, family and firm. This model also takes into account the influence of the environment on the family firm. The existence of a particular congruence between the organisational culture and the local community culture tends to be a characteristic of family firms which is not present in non-family firms (Astrachan, 1988). On the other hand, the influence of the national culture on the behaviour of societies and organisations (Hofstede, 1980; 1991) allows us to assume that this local community culture is a reflection of the national culture.

This special nature means that family firms experience a phenomenon known as 'familiness', which is a result of the interaction of the family system with the firm and which leads to the firm possessing a unique bundle of resources (Vallejo, 2009; Habbershon and Williams, 1999). The family provides advantages in terms of business organisation, since the implicit social ties that

are indicative of the family relation substitute the explicit contractual and formal relations that predominate in non-family firms (St James, 1999). As long as the family procedures contribute to efficiency and effectiveness, the family firm will survive and grow (Vallejo, 2009; Aronoff and Ward, 1995).

### 2.9.6 Family Business Culture: Incorporated Values and Norms

According to Aronoff and Ward's (1993) taxonomy, organisational culture is the key factor in the family firm's competitiveness and its survival into later generations. It is believed that the families behind successful family firms must be cohesive and oriented toward the environment. Other types of firm find it difficult to generate a culture that has the three characteristics (thickness, extent and clarity of ordering) which, according to Sathe (1985), determine the strength of the culture and its capacity to generate profitability to ensure survival. Thus, the culture of a family that is cohesive and oriented towards its environment will contain some well-defined values that are shared by all its members, providing it with a cultural strength that will make it easier to institutionalise them in the firm. At the same time, its culture will be a significant, distinctive factor with competitive and strategic relevance compared with non-family firms (Vallejo, 2009). Stinnett (1986) identified the main qualities of strong families, such as appreciation, spending time together, commitment, communication, high level of religious orientation and the ability to resolve crises positively.

In addition, Vallejo (2009) conceptualised the values of culture in family firms which originate from the qualities that are indicative of family strength. These are illustrated in Table 2.12.

**Table 2.12: Dimensions of Assimilating Values in Family Business**

<b>Dimensions</b>	<b>Values and Categories</b>	<b>Remarks</b>
<b>Commitment</b>	<ul style="list-style-type: none"> <li>- <i><u>affective</u></i> (attitudinal), <i><u>calculative</u></i> (continuance), <i><u>normative</u></i> (loyalty): Greater weight of value in family firms (Lee, 2006);</li> <li>- loyalty transmitted by families, strengthens ties between members, contributes to family survival</li> <li>- identification with and emotional attachment to the organisation (Meyer and Allen, 1991).</li> </ul>	Family is agent of socialisation that transmits norms, values, and attitudes during the socialisation process (Bush <i>et al.</i> , 1999).

*continue to page 68.../*

(Continued from Table 2.12; pg. 67)

<p><b>Harmony</b></p>	<ul style="list-style-type: none"> <li>- <b><u>appreciation, spending time together, and communication</u></b>: better human relationships within the family business (Ward, 1988);</li> <li>- <b><u>Working environment</u></b>: being happiness (Tagiuri and Davis, 1992);</li> <li>- <b><u>Participation (flexible structure)</u></b>: more participative because of flexible structure (Daily and Dollinger, 1992; Hall, 1988; Poza <i>et al.</i>, 1997)</li> <li>- <b><u>Trust</u></b>: relationship-based systems on trust are more effective and more successful in the long run (Shaw, 1997)</li> </ul>	<p>McGregor (1960) claimed that one of the principal conditions of human nature must be respected in order to achieve this harmony.</p>
<p><b>Long-Term Orientation</b></p>	<ul style="list-style-type: none"> <li>- <b><u>Reinvestment of profits</u></b>: tendency of family firms to reinvest a higher proportion of their profits in the firm (Gallo and Vilaseca, 1996; Poutziouris, 2001)</li> <li>- <b><u>Level of indebtedness</u></b>: demonstrates the existence of a lower level of indebtedness (Donckels and Frohlick, 1991; Gallo <i>et al.</i>, 2004)</li> <li>- <b><u>Attitude towards risk</u></b>: family firm is highly risk-averse, identifying innovation as a high risk (Donckels and Frohlick, 1991; Gallo <i>et al.</i>, 2004)</li> </ul>	<p>‘ability to resolve crises positively’ and ‘high level of religious orientation’ as long-term orientation known as ‘extrinsic’ and ‘intrinsic’ (Kuratko <i>et al.</i>, 1997)</p>
<p><b>Customer Service</b></p>	<ul style="list-style-type: none"> <li>- <b><u>Dedication and concern for customers</u></b> are the key elements in their competitive strategy (Aronoff and Ward, 1995; Lyman, 1991).</li> </ul>	<p>Flexibility is ‘implicit’ in any situation when dealing with customers. Consequently, the managers have a high level of trust in their employees, and the former often consider that their customer service policy as a reflection of their position as owners (Lyman, 1991)</p>

Source: adapted from Vallejo (2009); Bush *et al.* (1999); Kuratko *et al.* (1997); Meyer and Allen (1991)

Table 2.12 explains the four dimensions and three values for each category. It is difficult to find any research work focusing on the influence of organisational culture and its values on profitability and long term survival in family firms (Vallejo, 2009). However, Kotter and Heskett



(1995, cited in Vallejo, 2009) looked in more detail at the repercussions of a strong and solid culture for a firm. They found a close association between profitability and consequently survival and the existence of a strong and solid culture. Other authors, such as Ogbonna and Harris (2000) and Sorensen (2002), also found a positive relation between strong organisational culture and profitability. At the same time, a number of researchers found that in the elements of the second level of the organisational culture, the values have a positive influence on the performance of organisations (Burke, 2001).

### **2.9.7 Family System and Business System: Family Business Overlapping Components**

The family system is considered the strongest social institution for instilling and passing on values, norms and attitudes to its members. On top of the values, norms and attitudes towards entrepreneurial behaviour, sociological theories about family members' behaviour as role models could also explain the family role as an entrepreneurial actor. Research on enterprising families has found that most of them run one or more businesses with the intention of growing these businesses with the family as the foundation. Recent research has shown a tendency that younger generation starts a business venture outside the core family businesses supported by the family's financial and social support. This leads to a successor son maintaining for several years an independent organisation which eventually merges within the family's portfolio of companies (Nordqvist and Merlin, 2010; Habbershon *et al.*, 2010; Habbershon and Pistrui, 2002).

Studies by Olson (1999) and Zuiker (1998) on objective outcome measures noted the ability of a business to lift the owning family business threshold's income by self-employment. On subjective measures, a number of studies have investigated family business success and long term family business survival such as the functional integrity of the family (Heck and Stafford, 2001), satisfaction with the quality of life (Masuo *et al.*, 2001) and success in attaining family goals (Danes *et al.*, 1999).

Negotiating styles of family functioning positively affect family business success and longevity, whereas the number of children, an individualised style of family functioning and stress all negatively affect family success. Length of working hours per week by the owner have a negative effect, and the manager's satisfaction with his/her business role has a positive effect on

family success (Heck and Stafford, 1999). Non-family member employees and total assets affect negatively family success for home-based family business-owning households (Duncan and Stafford, 2000).

The styles of interactions such as negotiating, accessibility, individuality and routine among family members have a significant but inconsistent association with the family's business income (Olson, 1999). Researchers have found that not all workers within the home-based business increase business outputs (net annual income, total annual working hours and hourly wage rate of the business owner), and that residential family workers (paid) and family helpers (no pay) and unrelated workers (paid) contribute in positive ways to business output. In contrast, unpaid, related (extended non-residential family) workers increase the business owner's working hours (Heck and Walker, 1993). In term of labour, it has been found that family labour was more productive than non-family labour but that the productivity did not translate into profitability (Kirchoff and Kirchoff, 1987).

Among successful and surviving business owners or managers who manage the family and the business simultaneously, satisfaction level with their family's quality of life was found to be higher, and a negative relationship was found between number of children and income level (Masuo *et al.*, 2001). The overlap between family and business systems proposed by Gersick *et al.* (1997) discussed in Chapter 1 (*see* Figure 1.1) in the three-circle model of a family business represents a struggle in terms of the time, energy and funding of individual family members and of the family collectively (Stafford *et al.*, 1999). Kaye (1991) considered that at any point in time, there will be a certain amount of tension within family businesses surrounding the competition for these resources based on the needs and demands of either system. Conversely, in certain conditions, competition can cause a level of tension that leads to decisions that are good in the short run but not for long-term family business sustainability. A crisis in business funding creates less constructive behaviour, which may affect problem-solving dynamics within the family business (Danes *et al.*, 2000). The sustainability of family businesses has been undermined by destructive conflict between family and business goals (Danes and Amarapurkar, 2000; Stewart and Danes, 2001).

Previous studies have shown that businesses with less formal business structures have lower income (Olson, 1999; Devine, 1994). Statistics have shown that home-based businesses were associated with lower income than those which were not home-based (US Department of Commerce, 1998). Age of business is negatively associated with business growth, one definition of success and long-lived survival (Davidson, 1991). Other studies have added the dimension of environment to determinants of business success and longevity (Stearns *et al.*, 1995; Woods and Jones, 1996). Family businesses in rural locations were more likely to have cash-flow problems than those in urban areas (Danes *et al.*, 2001), and rural home-based businesses were also found to generate less income than their urban counterparts (Olson, 1994).

Business owners' characteristics differ between men and women, and studies have shown that women make less business income than their male counterparts (Devine, 1994; Zuiker, 1998). Furthermore, when the owners of a business have worked in another job, the evidence shows that this is detrimental to business success and long-term survival (Cooper *et al.*, 1988). Olson (1999) found that business management practices among business owners have been associated positively with successful long-term survival. Problems with a firm's cash flow have been associated with perceived business successful longevity (Danes *et al.*, 2001). In terms of debt, generally small business owner/manager households are likely to have over three times more debt than other borrowers (Hayness and Avery, 1996). Rowe *et al.* (1993) found a positive relationship between business net income and family management for families with homed-based businesses, while Haynes *et al.* (1999) found that dependent children could increase the claims on family income for health reasons such as broken limbs, braces and insurance premiums which create unexpected costs.

## **2.10 Family Business Culture in Malaysia**

It is relevant to acknowledge that Malaysia has been able to attract foreign capital and thus help the country towards the NEP goals, and that this has had much to do with the industriousness of the Chinese population in particular and the security umbrella provided by the Americans during the Cold War period (Balasubramaniam, 2006). In Malaysia, Indonesia, Thailand and the Philippines, ethnic Chinese represent a demographic minority, and of these four countries Malaysia has the largest ethnic Chinese population estimated at 26 percent of the total

(Suryadinata, 2006), and compared with the other three countries, Chinese family businesses still represent a large proportion of each country's leading businesses (Beh, 2006; Shapiro *et al.*, 2003).

As discussed in Chapter 1, the significance of this cultural study of family businesses lies in the motivation that no such research has been carried out before, so this thesis is a pioneer in its field of cross-cultural studies in micro-and small-sized family businesses in Malaysia. What is new in this thesis is the application of cultural assumptions in the family business context by using family business systems (Gersick *et al.*, 1997) in addition to the common framework of organisational cultures developed by Hofstede (1980) in organisational studies namely, power distance (the extent to which power is unequally distributed to the less powerful members of such institutions); individualism/collectivism (the continuum of people from being relatively together to being relatively alone); masculinity (the extent of dominant values such as assertiveness, wealth accumulation and not caring for others); uncertainty avoidance (the extent to which society feels threatened and in an ambiguous situation), and short/long-term orientation (a dynamic organisation/long-term, future-oriented mentality or a static, tradition-bounded short-term mentality). Using Hofstede's (1980) organisational dimension and framework of cultures, Lrong's (1998) pioneering cross-cultural studies in the Malaysian context examined the cultural attributes of Malays and Chinese and Lrong's (2001) subsequent study comprising twenty-four Malays and twenty-five Chinese holding the top management position at organisational level surprisingly found contrasting results compared with his earlier findings in 1998. Table 2.13 shows the proposal and results of Lrong's (1998 and 2001) studies:

**Table 2.13: A Proposal and Findings of Cultural Attributes of Malays and Chinese in Malaysia**

Cultural Attributes	Proposed Cultural Assumptions in 1998		Findings 2001 for Malays and Chinese
	Malays	Chinese	
<b>Power Distance (PD)</b>	high PD; strong societal values; towards hierarchical society	high PD; owe to family patriarch, owner manager of family business.	both ethnicities have high PD
<b>Collectivism</b>	quite high; responsible to friends; relatives and neighbours not necessarily business related	quite high; associations and guilds via business/society link for mutual support and assistance	both ethnicities have moderate individualism

*continue to page 73.../*

(Continued from Table 2.13; pg.72)

<b>Masculinity</b>	low; less assertive, more relationship-oriented	high; more assertive, success-oriented, materialistic	both ethnicities have moderate masculinity but Malays become more aggressive (NEP factor)
<b>Uncertainty Avoidance (UA)</b>	high; feel more comfortable in stable condition	low; adapt well to risk, and uncertain circumstances	both ethnicities have high uncertainty
<b>Short/Long Term Orientation</b>	short; respect for tradition and social obligations	long; perseverance and thrift	- not tested -

Source: adapted from Lrong (1998) and Lrong (2001)

Malaysia's New Economic Policy (NEP) reduced the level of high uncertainty avoidance (UA) of the Malays. This result of Table 2.13 is more surprising because the Chinese moved to an even higher UA than the Malays, indicating that the Malays became more aggressive as a result of the NEP. However, the higher UA among Chinese was explained by their fear about their business stability which could lose them their possessions in the case of political instability during the data collection period in 1997 (Lrong, 2001; *The Economist*, 1996).

Lrong (2001) further commented

[...] in the dimensions of power distance and collectivism, although sharing conceptual similarities, they differ in content. The Malays may be said to be slightly more hierarchical and oriented towards relationship building, and the Malaysian Chinese prefer to incorporate business dealings into hierarchical relationships as well.

Since the cultural assumption about PD made by Lrong (1998) for the Chinese was that it is directed towards family 'business orientation with patriarch relationship', together with the owner, guild and association, this thesis takes the further view that in studying family business culture across ethnicities, the two dimensions of PD and 'collectivism/individualism' are suggested to be combined as a 'paternalistic' family business culture and dimension of UA will remain as it is, since dimensions of PD and UA seems appropriate, significant and sufficient to this study of family businesses. Therefore, the other two dimensions, 'masculinity/femininity' (Hofstede, 1980) and 'short/long term orientation' as the fifth additional dimension (Hofstede, 1991) will be omitted in this thesis, in that we assume that masculinity (career-oriented) and short/long-term orientation (tradition, perseverance and thrift) are embedded values in running family businesses.

### 2.10.1 The Malays: Beliefs, Values and Culture Orientation

The Malays have been a topic of interest among anthropologists, sociologists, British colonial officials, and European investors particularly during the colonial period to the modern era of state formation and nation-building, and previous scholars have probed into the Malays' world, including personality, world view and the lives of these people, to examine both cultural specificity and more universal features of organisation and development. In this regards, O'Brien (1883) viewed the typical Malay as:

[...] externally passive with extraordinary susceptibility and peculiar sensitiveness to the influence of what we should call the accidents of everyday life, extremely touchy but nevertheless charming and loveable.

Adding to this, the first British Resident General of the Federated Malay States (now independent Malaysia) who served from 1896 until 1901 in what was then a British Colony, Sir Frank Swettenham (1913) observed:

The real Malay is courageous; [...] but he is extravagant, fond of borrowing money and slow in repaying it [...] quotes proverbs ... never drinks intoxicants, [...] rarely an opium smoker [...] by nature a sportsman ... proud of his country and his people, venerates his ancient customs and traditions and has a proper respect for constituted authority [...] at the same time he is a good imitative learner, and, when he has energy and ambition enough for the task, makes a good mechanic [...] and yet if you can give him an interest in the job, he will perform prodigies; he will strive, and endure, and be cheerful and courageous with the best.

However, Sir Stamford Raffles, the founder of present Singapore in 1819 who established Singapore as a trading port for the British East India Company as one of the three British Colonial Straits Settlement States (together with Penang and Malacca), viewed the typical Malay in the nineteenth century as 'indolent' (Raffles, 1835, cited in Syed Hussein, 2006):

“... [he] is so indolent, that when he has rice, nothing will induce him to work”.

More recently, Ness (1967) noted the following attributes:

[...] it is widely believed that the Chinese are achievement oriented, industrious, opportunistic, avaricious and are sharp businessmen. Malays are held to lack achievement orientation, to be lazy and to show distaste for hard labour. At the same time they are believed to be loyal, polite and proud. The Chinese are held to be self-possessed, the Malays headstrong and erratic. The Chinese are believed to be self-reliant, while the Malays rely upon government assistance and protection – a result of spoon-feeding of colonial protection.

All these observations were made by Western observers on the basis of their experience as either British colonial officials serving in Malaya and in Singapore specifically, or scholars (anthropologists or sociologists) in the Malay Archipelago, including Indonesia and the Southern Philippines generally, since most Malays at that time (before the NEP in 1970 in the case of Malaysia) were ‘natives’ of their own homeland involved in agriculture and better known as a ‘peasant society’, which thus shaped their mindset towards daily work orientation. Malay peasants value highly the acquisition of land for them to be able to live comfortably without having to work hard, and they attach great importance to an easy living (Swift, 1965; Djamour, 1959), and the rural Malays are said to be passive, and resistant to change, which creates “a conflict between the values of the rural Malays and the values required for capitalism” (Parkinson, 1967).

The notion that the Malays are ‘indolent’ and ‘lazy’ during the colonial era has given much debate. Syed Hussein (1977) noted that:

The image of indolent Malay nation has no sound scientific basis [...] It arose because the Malays avoided colonial capitalist plantation labour. [...] Raffles was still thinking of characterising whole group though not the whole region and ethnic collectivity.

He further argued that

If the Malays were lazy they would have lost their independence long ago. The fact that the British succeeded in occupying the Malay nation through diplomacy, while using force failed, was partly the result of the activity and alertness of the Malays [...] the Europeans who observed the Malays in the port town had no idea of what was happening in the interior, of the padi (*paddy*) planters who started work at dawn and returned home at dusk, of the fisherman who sailed at night and attended to his boat and net in the day time; or of the ‘*gotong royong*’

(mutual help) labour village ... Raffles knew only the Malays in the port town [who] did not show the aggressive capitalist spirit.

The social and economic disparity during Raffles's time in Malaya and Singapore meant that there were no middle class Malays whose livelihood not depended on commerce since the bulk of them were fishermen and paddy planters compared with Europe at that time, in which commerce and empire building were the most esteemed activities by the aristocrats and capitalists whose spirit inculcated the British East India Company, and any group which was not equally moved by this spirit was considered lazy. The Malays worked hard using traditional means but their work pattern was different from that of regular European workers such as miners or factory workers. Zainal Abidin bin Ahmad (ZA'BA) during the colonial period and particularly before the Second World War published articles in the press regarding the issue of Malay progress and mentioned the themes of work, education and progress. Patience and frugality were stressed in the execution of work, and the attainment of knowledge, together with careful scrutiny and investigation. Therefore, the attitude of Malay indigenous society towards indolence is clear (Syed Hussein, 1977; Roff, 1967).

Being courteous and avoiding nastiness towards others typically traps Malays in a dilemma, leading to being 'over burnt-out', a state known as *amok* which displays itself as anger and extreme emotion. Mahathir (1981: 118) described this as:

... a spilling over, an overflowing of his inner bitterness. It is a rupture of bonds which bind him. It is a final and complete escape from reason and training. The strain and restraint in him is lifted. The link with the past is severed, the future holds nothing more. Only the present matters. To use a hackneyed expression, he sees red. In a trance he lashes out indiscriminately. His timid, self-effacing self is displaced. He is now a Mr Hyde – cruel, callous and bent on destruction. But the transition from the self-effacing courteous Malay to the '*amok*' is always a slow process. It is so slow that it may never come about at all. He may go to his grave before the turmoil in him explodes.

Although these accounts of the Malay character were not drawn from any serious research but rather based on passing observations or intuitive feeling, they do help to formulate a picture of the way Malays feel, despite their diverse origins from the Malay Archipelago or *Nusantara*, and wide dispersal in the Malay diasporas geographically and politically into the modern nations,



primarily the Southern Philippines, Indonesia, Malaysia, Brunei and Southern Thailand, and these attributes share certain social sentiments or value preferences which derive from *adat*, a generic term for customary practices, social institutions, systems of behaviour and process of socialisation into culture. These value preferences to some extent bring about conflicts between 'self' and the 'other' arising from the incompatible requirements of *adat* and wider society.

The word *adat* originated from Arabic and means culture, refinement, propriety and humanity. It refers to the total constellation of concepts, rules and codes of behaviour which are envisaged as legitimate, appropriate or necessary. In traditional Malay society, *adat* prescribes ethics and codes of behaviour in a range of different social circumstances or situations affecting individuals or groups, and is often identical to 'custom' or 'culture' which suggests group cohesion and social identity. At the lowest level of conceptualisation, to think and do things in a 'correct' and 'proper manner' is to act and behave according to *adat*. A Malay is considered *beradat* (practising *adat*) if he holds the most intimate knowledge of daily norms. *Adat* is usually seen through informal forces of socialisation; within family, elderly, kinsmen, neighbours, patrons and leader, so Malays are comfortable with it in the sense that it is also spontaneously understood and shared. It through *adat* that the state, regional or community preferences of customs, daily norms and practices continue to be upheld, and it is on these levels of social interaction that deep-rooted sentiments of origin and community sharing, kinship and affinity, and social rituals serve to maintain and strengthen the values of cohesion and identity (Asma, 2003; Karim, 1981).

In studying work-related values, Hofstede (1980) found that most East Asian countries scored high on PD and low on individualism. Suffice it to say that Malaysia and its neighbouring countries can be seen as 'collectivist' cultures (Hofstede, 1980; Triandis, 1988).

Furthermore, in relation to *adat*, Islam also has a great influence on Malay value concepts. Even so, it is not so much that the Islamic religion has the most significant effect on its followers, but the interpretation of the Islamic doctrines, which varies not only with the individual but with age, time and even country. There is a contradiction between *adat* and *sunnah* (an Arabic word which means customary procedure, sanctioned by tradition, particularly by the Prophet's words and

actions) which is an Islamic teaching which is commonly interfused with the traditions of Islam as activities which are not compulsory but if they are performed, they have a spiritual effect. To some extent, the influence of *adat* rituals is therefore still considerable for rural dwellers who live in the traditional manner, unlike those Malays living in urban areas, especially in the belief in animism. Social modernity and westernisation in urban areas, however, have meant that the influence of *adat* has virtually vanished there. The cultural preservation and deep respect for traditional practices among the Malays is clearly exemplified by the old Malay proverb *Biar Mati Anak, Jangan Mati Adat*, which literally means ‘Let the child perish but not the *adat*’. Ariffin (1970) stated that

The Malays are tied strongly to custom and tradition. Their economic practices are strongly interwoven with their cultural beliefs. Traditionally, the Malays practised the nuclear type of family groupings, composed of husband, wife and dependent children, and socially the Malays attach strong feelings of love and loyalty to their group. The group feelings are also reinforced and maintained by the force of kinship among the Malay people. Conformity to conventional behaviours and obedience to the accepted groups norms are taught in school. Children in particular are taught the importance of doing what is expected of them.

Traditional Malays are considered fatalistic as reflected in many Malay proverbs. The Malay language includes more proverbs in regard to ‘luck’ and ‘fate’ than to effort and achievement (Senu, 1971). In this sense, Mahathir (1970: 158) stressed

The fatalism which characterises Malay values and attitude to life is very much in evidence everywhere and greatly affects all Malay value concepts. [...] it does not encourage any great effort to change. It does not encourage resistance and certainly it does not engender a rebellious spirit. [...] fate decides all and to strive to better one’s lot is useless unless fate wills such betterment. This view encourages the Malays’ negative reactions towards success, their passive attitude towards capitalism, and their unquestionable resistance towards change and especially those changes which affect their way of life.

Furthermore, *malu* (shyness) and *seگان* (shame), which are common behavioural reactions amongst Malays, have constituted a hindrance towards achieving economic success. Wilson (1967) stressed

[to] act as a hidden thermostat in interpersonal social relations [...] means shyness and embarrassment. For someone to be '*malu*' may be proper in the sense of being demure, but even demureness carries with it the implication that the status between two persons is unequal, and this is the core of the meaning of '*malu*'.

From the perspective of social and economic behaviour, *malu* or *seگان* can be viewed as "being correct, showing consideration and concern, anticipating the other, conducting oneself with gentleness and refinement, speaking softly and using the proper words, and above all, being sensitive to another person" (Wilson, 1967).

The values, attitudes and lifestyle of the traditional Malays have been regarded as the main reason for their economic backwardness. Less capital accumulation and international networking than the Chinese and Indian entrepreneurs have established over centuries through trading port activities, and opposition from these ethnic others, were some of the difficulties encountered by Malay entrepreneurs before independence (Winsteadt, 1950). It can be further argued that the colonial policy of 'protection' of Malays not only reinforced the values, attitudes and lifestyle that made them less attracted to commerce, but also made it difficult for them to venture into business as the non-Malays had become well-established and upgraded to the middle-class business level position. However, Gullick (1981) insisted that it was not British colonial policy with its 'protection policy' over the Malays and their rights which led to this situation, stating that Sir Hugh Clifford, who served in Malaya in 1883, described the Malay states in 1927 as "*Mohamedan* monarchies" and declared that the British had "no mandate to vary the system of government which has existed in these territories since time immemorial". Gullick (1981) claimed that from this position the non-Malays had no claim to political rights and that even the Malay subjects of the sultans (Malay rulers) could not have such rights since this would be to 'vary the system'.

By protecting the sultans' institutions, the British successful 'diplomacy' approach towards winning the hearts of both the Malays and the sultans by not using military force to capture

Malaya (compared with the previous western powers, the Portuguese and the Dutch), the British official policy was to use 'indigenous forms' and the Malays' institutions of sultans, and to be solicitous of their views, aligned with the philosophy that colonial rule was a form of trusteeship for the Malays, with the British acting as an 'umpire' to keep the alien Chinese immigrants mainly at bay and to look after the special interest of the Malays. By treaties with the Malay rulers, the British recognised that the 'special rights' of the Malay sultans and their Malay subject must be protected, among which was the 'Malay indigenous reserved lands title' which was not transferred to any than the Malay (Winsteadt, 1950). These rights, which were also recognised in the Federation of Malaya Agreement of 1948, and became the legal basis and foundation for the New Economic Policy (NEP) incorporated in the five-year Malaysia plan for the twenty years from 1970 to 1990 (Comber, 1988), will be discussed thoroughly in Chapter 3.

The Malays are said to favour co-operation over competition. Studying traditional Malay culture in a small village, Wilson (1967) found that Malays were aware of the Chinese superiority in economic activities, but did not feel compelled to emulate them as they saw such values and attitudes as inherently Chinese and alien to the Malays. However, the Malays' fulfilment of kinship obligation has priority over that of impersonal contact, such as exists between western employers and their employees. Traditionally, Malay social structure was classified into two values systems, the 'ruling class' and the 'subject class' or *rakyat*. The former constituted a 'super-structure' and changes within the ruling class made little impact on the subject class, while the former's value systems compared with the latter was totally contradictory in that the former stressed courage, power, initiative, individualism, adventure, absolute loyalty to the ruler and pillage, while the latter emphasised cooperation, *gotong-royong* (mutual help), *usaha* (labour) and conformity, as is found among the agrarian section of Malay society (Asma, 2006; Syed Hussein, 1974).

The Malays and the Chinese have different connotations for 'wealth' in that the Malays have a strong desire for consumption and potential future benefit is not weighed highly against present sacrifice. On the other hand, the Chinese view 'wealth' as a long-term benefit which is not only for consumption but also for accumulation (Swift, 1965). In addition to *adat* and fatalism, Islam has a great influence on the Malay value concept. Fatalism however conflicts with the spirit of

Islam. Fate can be changed through hard work and not easily giving up, which are means of achieving economic success in the world.

In this regard, in the Holy Quran emphasises (Al-Quran: Chapter 13, verse 11) that:

Verily never will Allah change the fate (condition) of a people until they change it themselves (with their own souls).

On the religious values of achieving success, the Holy Quran states (Al-Quran; Chapter 62, verse 10),

And when the Prayer is finished, then may you disperse through the land, and seek of the Bounty of Allah, and celebrate the Praises of Allah often (and without stint), that you may prosper.

A study of the Prophet Muhammad's struggle shows the role-model of his life, suffering and triumph. Furthermore, he was also a successful businessman and trader during his life, and while participating in business, his relations with his people earned him the name *Al-Amin* ('the trustworthy one'). This gives evidence that Islam encourages its followers to focus on achieving success by not rejecting wealth. This contrasts with the value borne by the traditional Malays on the notion of fatalism and wealth. However, Islamic teaching on supporting economic activity and gaining wealth is in line with the Protestant (Puritan or Calvinist) Work Ethic (Weber, 1930), which encourages hard work, frugality and prosperity. Thus, both religious values further reinforced and supported the values of economic and social progression as well as entrepreneurial activities whose success depends on hard work, frugality and wealth accumulation, although some values of ethnic cultures do inhibit progress and wealth acquisition.

#### **2.10.1.1 Malay Family Business Culture**

As discussed in Chapter 1, no study of family businesses specifically aimed at micro- and small-sized businesses and comparing two major ethnicities, Malay and Chinese family businesses, has previously been undertaken and this study is considered to be the first attempt in this category. Although the study in the field of entrepreneurship focusing on Malay business in general carried out by Poponoe (1970) in her doctoral thesis did not focus on Malay family businesses *per se*, her study found that there was a business tradition among Malays, usually as petty traders in public

markets, or travelling traders, or running small general stores or coffee shops in the villages. There were also activities connected with agriculture, forestry and fishing – usually on a small scale in simple trades such as making furniture, boats and handicraft industries, carpentry and other small-scale activities which are relatively unskilled. Some of them have ventured into businesses merely being pushed by their fathers or by the government through special privileges or contracts given in timber and travel agents.

Poponoe's (1970) study of Malay traditions in business was carried out nearly forty years ago, but the situation changed dramatically with the implementation of the NEP in 1971 by the government to further encourage Malays in the field of entrepreneurship. The policy ended in 1990 after almost twenty years of implementation. Although the positive effect of the policy in the long run will diminish in some circumstances, the innovative capabilities which Malays were able to develop through their entrepreneurial process will continue since their businesses were built up through a special preferential policy to them. But some of the Malays who successfully took on this opportunity and challenge are not now merely relying on government contracts or franchises, but to some extent are venturing their businesses in the global market.

Sha'ban (1997) studied Malay women in business and found that historically until the late 1970s, the majority of Malay women were engaged in agricultural activities, since the majority of Malays are predominantly rural dwellers, and Malays did not choose to settle in urban areas until recently. Furthermore, the education of Malays girls at that time was not encouraged to the higher level that it is nowadays. The only option left for them was working beside husbands, fathers and brothers in petty trade or agriculture. Rohana (2006) questioned thirty-one Malay women and found that eleven, or 35 percent of the respondents, were in family business partnership with their husbands, and that women owners considered it vital to have their husband as a business partner because religious belief (the Islamic faith) and values are central to understanding rural Malay women's entrepreneurship, a factor which has been largely ignored in Western literature on women's entrepreneurship. Rohana (2006) found that 'success' among traditional women entrepreneurs was defined qualitatively as living in harmony, having a good relationship with family and other people, and being able to perform the *hajj* (the pilgrimage in Mecca).

Although Mohd. Fauzi (1981) found that 25 percent of Malay businesses in his 186 samples were family businesses types, they can be divided into two types; those who were not highly educated as children (primary or secondary educated) who had succeeded and taken over a business in the same category as their parents, and those who were highly educated (to tertiary level) and had the option to achieve high salaries, who ventured into a family business not in the same category as their parents, but in a highly capital-intensive and added-value industry/sector, thus proving their high entrepreneurial capability. Most Malay family businesses hire family members as workers. The management team of small- and medium-sized family businesses is more properly managed, and job descriptions are given in detail, and the firm's leadership is more democratic. Most of the owners in this type of firm are highly educated, have high self-confidence in decision making, and have extended business networks. Mohd. Fauzi (1981) considered that one of the main obstructions to Malays being involved in business ventures is because they feel contented at having inherited land from their forefathers and value the comfort zone of fixed assets of land ownership more than venturing into business. However, in their businesses, opportunity is provided on the basis of nepotism and political patronage, and not on genuine entrepreneurial ability and merit.

Most Malay businesses in the 1960s and 1970s were located in rural areas. Surprisingly, empirical evidence based on Charlesworth's (1974) study across nine states in Malaysia found that 86 percent of 407 respondents believed that they could face challenges if their businesses were located in an urban area even though they knew that Chinese businesses dominated in urban areas. Although his study mixed family and non-family businesses samples, this finding showed that the Malay business community in the early 1970s had already instilled entrepreneurial orientation (EO) towards risk taking, industriousness and hard work. Furthermore, in terms of locus of control, the finding in respect of the 'internal' locus of control (family/institute, luck, fate), as opposed to the 'external' locus of control (customer, goal, opportunity, proper plan) showed that most respondents believed the balancing between internal and external factors to be central to entrepreneurial success. In terms of business decision-making, Afifuddin's (1973) study on the influence of social structure on economic interaction among farming businesses found that interpersonal relationships required each party to be sensitive to the status of the other. Thus, business decisions among Malay

businesses are most often made on a personalised basis, in other words, not confined to the immediate family or kinship, but often spread to include non-kin individuals who are Malays. However, the personalised relationship was found to be weaker if the individual is non-Malay. Of the respondents, 74 percent attributed the failure of Malay businesses to social reasons, while 24 percent considered that economic reasons contributed to the failure. Thus, it can be concluded that most Malay shopkeepers failed in their business due to the major factor of networking failure across ethnicities in the business community, in that networking supposedly plays a vital role in determining business success. Sloane's (1999) work on networking among modern Malay entrepreneurs in the capital city, Kuala Lumpur, found that Malay entrepreneurs generally practised 'know-how' entrepreneurial networking in that outstanding networking research is essential to uncover good business opportunities, calling upon contact after contact to find an entrepreneurial niche. Her case study was based on contract winning by women entrepreneurs supplying mattresses through contract manufacturing. The results showed that networking in Malay entrepreneurship has grown more sophisticated and is not limited to ethnic boundaries, as was seen in Afifuddin's (1970) farmers networking study limited to within Malays' circle and sensitivity.

Basic knowledge of running a family business is not sufficient for long-term survival. Owners need to know how to enhance creativity and innovation as well as apply new emerging technologies into the business. In a study of four micro- to medium-sized Malay family businesses, one micro-sized (less than 5 employees), two small-sized (6 to 50 employees), and one medium-sized (over 51 employees) with a span of between nine years and thirty years of operation, it was found that the longest surviving firm (thirty years) had the highest satisfactory levels of leadership, creativity and vision, but a moderate level of communication compared with the other three younger firms which had moderate levels of creativity but the highest satisfactory level of communication. However, in leadership and vision, all three firms were found to have less satisfactory levels than the longest surviving firm. This implies that the oldest firm was well established and had long-term customer relationships and loyalty, so less communication was necessary than in the newer firms which needed to promote and market their products and convince the customer. By industry type, the longest surviving firm was a supplier, and the others were engaged in food services and retail (Salmah, 2002).



Five specific areas have been found which affect non-Malay businesses adversely: finance, inadequate lands and buildings, shortage of skilled labour, lack of raw materials (Chee, 1986). In general, the sales volume of Malay entrepreneurs was smaller than that of the Chinese. Five contributory factors have been identified for this difference in sales: age of business, prior business experience, working capital, daily working hours and record-keeping practices.

Ruzita and Parnell (2007) compared Malay entrepreneurial firms with US norms in terms of cultural orientation using Harisson's four archetypal organisation culture concepts: power culture (direction, decisiveness and determination); role culture (order, stability and control); achievement culture (growth, success and distinction); and support culture (mutuality, service and orientation). The Culture-Index score showed that the existing and preferred cultures of companies owned by 140 Malay enterprises were above the standard US norms, with 'achievement' ranking highest followed by 'role and support' and 'power'. In terms of education background among employees, nearly half had secondary education followed by degree and diploma holders. The results suggest that employees of Malay entrepreneurs perceived that their respective organisation needed to provide more empowerment and support, as opposed to the control and constraints of a power culture. As well as a better acceptance of a power-orientated culture, the results also showed that the employees of the Malay firms perceived that their firms were simultaneously support- and role-oriented. From this perspective, the owners of the Malay enterprises were firm, fair and generous to loyal subordinates. They had a sense of obligation to their followers and they exercised power according to their understanding of what is good for the organisation and the staff. This orientation towards responsible power seems to be typical of some Asian and Latin American organisations. It rests on the acceptance of hierarchy and inequality as legitimate by all members of the organisation. A contrasting finding revealed that in more industrialised society, since there is much less acceptance of hierarchy as being legitimate than there is in more traditional societies, there is not a strong culture value to reinforce benevolent and power leadership. This result is similar to Hofstede's (1980) findings that Malaysia ranked first for the 'power distance' dimension.

### 2.10.2 The Chinese: Beliefs, Values and Culture Orientation

Historically, most of the Chinese immigrants settled in Malaysia (the then Malaya) at the end of the eighteenth and early nineteenth centuries. The unstable situations in Southern China acted as a catalyst for migration, mainly from the south-eastern provinces of Gwangdong, Fujian and Guanxi in which comprised members of various dialect groups. Consequently, the Chinese population in Malaysia comprised five major dialects and speech groups based on the following major provinces they were from, namely *Teochew* and *Cantonese* from the province of Gwangdong (also known as Kwangtung); *Hokkien* from the province of Fujian (also known as Fukien); *Hakka* originally migrated from further north and scattered to the mountain areas of Gwangdong, Fujian and Guanxi provinces (also known as Kwangsi); and *Hainanese* from the island of Hainan. The various groups of Chinese dialects were further complicated by the division of the Chinese into clans and guild associations in Malaysia as a result of the Chinese dialect groups which were derived from three linguistic groups in Mainland China, namely Min, Yue and Gan-Hakka. These linguistic groups further divided based on their dialects spoken in specific localities by provinces, prefectures, sub-prefectures, districts and villages (Lee and Tan, 2000; Tan, 1983). By 1947, of the 2.6 million Chinese in Malaya at that time, it was estimated around 32 percent were *Hokkiens*, 25 percent were *Cantonese*, 17 percent were *Hakkas*, 14 percent *Teochews*, and six percent were *Hainanese* of those comprised the major groups. Of the other smaller dialect groups, 2.76 percent were *Kwongsai*, 1.84 percent were *Hokchiu*, 0.66 percent were *Henghwa*, 0.49 percent were *Hockchia*, with other groups making up the remaining figure (Gomez, 1999; Ratnam, 1965).

Another fraction among the Chinese in Malaysia was the Straits-born Chinese whose residing in the Straits Settlement States of Penang, Malacca and Singapore in the late eighteenth century, which were also known as '*Baba*' (also known as '*Baba-Nyonya*') or '*Peranakan*' of Chinese descent, mostly acculturated with the Malay cultures and customs since they were living surrounded by the Malay villagers and communities through intermarriages between the local women, of whom from middle-class merchants who were more likely to be westernised through English-educated and English-speaking in which remains a majority of the Straits-born Chinese spoke little or no Chinese-speaking at all, but some others were more Malay spoken within their families. The origin of '*Peranakan*' Chinese largely is due to the early and long history of

contact between the Chinese and the local people, especially the Malays, Indonesians, and Thais. Before the nineteenth century, Chinese settlers married local women because the migration of Chinese women to Malaya began only after the mid-nineteenth century. It is worthy to note that as result of intermarriage and cultural contact between the minority Chinese settlers and the indigenous people in South-East Asia, the offspring of these settlers were acculturated and even Malay as their first spoken language. Thus, in the nineteenth century, the immigrations of a big Chinese give rise to a consciousness of a distinction between the early Chinese settlers and the immigrants' working class who were known as '*sinkheh*' or new guests which in turn, '*Baba*' identity and its society became distinct during that century (Lee and Tan, 2000; Gomez, 1999).

The '*Baba*' were oriented towards Malaya and loyal to the British administration, while the immigrants' Chinese were politically oriented towards China, since the dominant Chinese businessmen and merchants at that time invariably '*Baba*'. By the twentieth century, the *Baba*'s community was later dominated by the non-Baba Chinese not only in terms of their populations, but politically, economically and socially, which later after independence, the '*Baba*' had lost whatever political influence they had on the government during British era which seen their roles in the formation of the Straits Chinese British Associations which was first formed in Singapore in 1900, later on in Malacca in early 1900 and Penang in 1920. Their roles were taken over by a new Chinese political party known as the Malayan Chinese Association (MCA) (Lee and Tan, 2000; Tan, 1983), which later formed National Front Alliances (NFA) on ethnics' based political parties together with the United Malays National Organisation (UMNO) of Malay ethnic and the Malayan Indian Congress (MIC) of Indian ethnic, in which they successfully become major ruling alliances' political parties in Malaysia since independence until present with the UMNO being a major stronghold among alliances of NFA.

The Malaysian Chinese are mostly urban dwellers and are involved in the business sector. It is worth noting that not all Malaysian Chinese are either solely small traders or large-scale merchants, but they are equally successful involved in a variety of sectors, such as education and wide range of professions. Their presence and success in Malaysia has been widely acknowledged by many scholars. The most significant findings in respect of their successful achievement in Malaysia is their feelings of insecurity as immigrants, the frugal lifestyles and

their smart thinking in making money (Menkoff, 1990; Redding and Wong, 1986; Hunter, 1966). This implies that the business attitude of the Chinese comes from their forefathers, and succeeds through kinship, siblings and offspring, making a Chinese business particularly family-related. The similarities and differences between this and Malay family businesses are the central theme of this study.

Redding (1993) used the term 'Overseas Chinese' to refer to those people originally from mainland China who still think themselves as unquestionably Chinese. This notion includes those in Taiwan, Hong Kong, Singapore, Thailand, Malaysia, Indonesia and the Philippines. Most of these overseas Chinese whether in Malaysia or other parts of East Asia, experience a set of influences which have arguably moulded much of their present thinking. Redding (1993) summarised these influences: they commonly lived in a social environment which was resentful and hostile, forcing them to behave defensively by pooling their resources which in turn caused a heightened sense of cooperativeness with a cultural identification of sharing 'Chinese' origin; and they had a formative experience of moving countries which was often a time of great family hardship and fostered cultural values and beliefs related to economic survival – work ethic, thrift and pragmatism based on traditional Chinese folk values and traditions.

However, the notion of being overseas Chinese has recently been contested. Gomez *et al.* (2004) argued that the Chinese diasporas are not universally identical and that the homogenising assumptions of much of the literature do not take into account the peculiarities of the diaspora's business communities which have realigned themselves in term of sense, identity and belonging to the nation-state which they inhabit. In the case of Chinese Malaysians, sub-ethnic ties are only prevalent when it comes to boosting the migrant community through business development. Heng (1988) noted that during the colonial period, Chinese Chambers of Commerce, trade associations and sub-ethnic associations, and clan-like guilds such as the *Hokkien*, *Hakka* and *Cantonese* Associations, were important forums in which sub-ethnic Chinese collectively act for mutual understanding and benefit (Jesudason, 1997).

Confucianism has been widely discussed as an ingredient of successful Far Eastern countries, China including Taiwan and Hong Kong, as well as Korea, Japan and Singapore, known together

as the 'Newly Industrialised Countries' (NIC), and it has been the prevailing ideology for most of Chinese recorded history. To understand Confucianism, it is worth examining its function in society and the way it has provided the Chinese with a form of order linking the individual and the state. Since China's economy largely depends on agriculture, simple survival has been of the utmost importance for the people. Furthermore, there is much to be said for value, belief and culture systems which place constraints on the expression of individual desires and encourage the sharing of scarce resources (Bond and Hwang, 1986). In this regard, Confucian philosophy is concerned with the correct observance of human relationships within a hierarchically oriented society. His teachings revolve around what are known as the Five Cardinal Relationships; monarch and subject, father and son, husband and wife, elder brother and younger brother, and friend and friend. Four of these relationships are hierarchically structured, and in each the proper attitude of the subordinate party is prescribed. The proper attitude of a subject is loyalty towards the monarch, while proper attitude of the son towards his father is one of filial piety, a kind of self-sacrificing devotion and respect, of an obedient wife towards her husband, and of a younger brother respect for his elder. Only within the friendship relationship can two people relate on an equal footing with the mutual sincerity which is considered appropriate between friends (Oh, 1987; Bond and Hwang, 1986).

The importance of the family in the Confucian value system is immediately apparent; of the five basic relationships, three involve relationships between family members. Furthermore, Confucianism teaches the 'model of two', comparing and pairing the monarch/subject relationship to the father/son relationship, and the friend/friend relationship to that of brothers. So from a very early age, people growing up in this NIC region are taught these values which are characterised by exclusiveness in dealing with others (Hsu, 1984). In term of hierarchy, the goal and purpose of establishing this rigid hierarchy of relationships has been to create and maintain a harmonious collective social order. Maintaining absolute loyalty and obedience to authority and fulfilling the obligations within relationships is supposed to guarantee an ordered 'collectivity'. The emphasis on harmonious group life so widespread in East Asia today is a direct result of the value and importance which Confucius placed on rigid hierarchical order. Confucian followers in China and Korea emphasise the obligations of subordinates towards superiors and say little or nothing or nothing about the obligations of superiors towards subordinates, thus showing how the relationship pattern between employer and subordinate is more autocratic or paternal

(Liebenberg, 1982). Formalism is one of the most striking characteristics of Confucian society, in that a 'formal' society largely consists of teaching the stylised responses appropriate to every situation. Individuals are judged entirely by the way they fit into prescribed patterns of interpersonal relationships by adhering to the prescribed formal model, and this is the sole measure of one's virtue. The concept of 'face' is directly related to formalism, and a person who has 'face' is recognised by a group which have confidence that that person fulfils the prescribed pattern at all times. The effect of losing 'face' is the feeling of shame (Redding, 1993; Oh, 1987; Bond and Hwang, 1986).

#### **2.10.2.1 Chinese Family Business Culture**

Much of the existing literature on Chinese enterprises has emphasised their culture and ethnicity as the core elements of success in entrepreneurial activities which are rooted in the family tradition, and the practice of the culture of risk. Previous literatures saw Chinese capitalists in South-east Asia as 'rent-seekers', a capitalist class dependent on the state and foreign capital. During the colonial period in South-east Asia, the Chinese occupied an ambiguous position in their trade-off between their own profit seeking and the fulfilment of the colonial state's demand for revenues. The seventeenth century crisis produced an important divide which eroded the capability, strength and networks of indigenous trading communities who felt threatened, and that fear has continued to determine the relative positions of Chinese and indigenous capitalism in the area (Beh, 2006; Brown, 2000; Yoshihara, 1988).

Four distinct attributes of Chinese capitalism are recognised. First, the Chinese family firm is the key organisational platform by manifesting itself through complex webs of family networks and personal relationships. Second, Chinese capitalism is a stretchable form that is embedded in the flexible territoriality. Third, Chinese capitalism has achieved some degree of structural coherence and rationality that in turn authorised its socio-economic behaviour. Finally, Chinese capitalism is actor-centred rather than institution-specific, with heavy reliance on family-based actors rather than host-country institutions (Beh, 2006).

In a management conference seminar in 1992, a Malaysian Chinese banking ‘*tycoon*’ Loy Hean Heong explained the recipe for Chinese business in Malaysia. He stated that the “elements of Chinese entrepreneurship” were a major factor contributing to the success (Loy, 1992: 3-8):

Being of Chinese descent and the son of a poor migrant from China, I was able to have the benefit of advice and the opportunity to learn the philosophy of overseas Chinese businessmen. These I have gained from my late father and from many contemporaries. Many of them were small businessmen but if one were to compare the philosophies and practices with the Chinese *tycoon* of today, one will find many similarities. One must trace back the history of Chinese migrants to understand the basis of their philosophy which is derived from Confucian values and their way of doing things [...] some of them do need adaptation and modification from time to time as modernisation affects our business life. Malaysia today offers considerable opportunities [...] the multiracial composition of its population makes us unique in many ways. Each ethnic group brings with it its own rich culture and heritage. We are able to learn from one another and conversely assist our brothers and sisters of other ethnic races in our effort to live and work together. [...] The main feature of the Chinese entrepreneur, in my opinion, is therefore thrift and hardwork [...] determination to succeed, [ability to] adapt quickly to circumstances. They would think nothing of working 7 days a week, 365 days a year and at least 12 solid hours a day. The old Chinese business culture depends on loyalty and trust [...] work very closely, trusting, respecting, and often helping each other in time needs [...] invest for long term. They do not believe in short term or even medium-term business. Everything takes time to grow, my father once told me.

Loy (1992: 5) spoke of Chinese family businesses rooted in their traditional Chinese way of living together with three generations under one roof taking care of each other’s needs and making their lives easier. Comparing Chinese and western family business cultures, he stated

Chinese culture in Asia is very different from that of the West, the Western people find it very difficult to comprehend. In today’s business, there are still large groups owned or controlled by families, very much unlike the Western business where they are mainly owned by large corporations.

Confucianism does not directly promote the concept of small business but it does encourage hard work, thoroughness and thrift (Pistrui *et al.*, 2006). According to Wu (1983) and Dana (1999), Chinese entrepreneurial and cultural principles may include the following traits: a high propensity to save and reinvest business earnings; a universal drive for the education of children

who are expected to carry on the business; and a strong of loyalty and mutual obligation within the extended family, a set-off foot for long-term survival family businesses.

They place hard work above leisure as contributing to family welfare (Zapalska and Edward, 2001), family businesses are essential for them with their high sense of possession, and the head of the family has the final say in the decision-making process.

The filial devotion concept in a family business can create disadvantages for outsiders who work in the family business or for the owner of a family business dealing with people outside the family group. Teamwork is only a relational style within the family, and in non-family business relationships, the Chinese tend to behave individualistically. Since the Confucian clan system dictates a narrow range of loyalty, Chinese have no sense of obligation to outsiders. As a result, they are good at competition, ruthless in opposition, and very poor at compromise and cooperation, since the cooperative aspects of the family are not transferred to the society as whole, with a resulting lack of social consciousness.

Although past literature has shown that East Asian work and culture orientation generally is more collectivist than individualist, if we look across ethnicities, the traditional Malays differs from traditional Chinese in term of collective practices, in that Malay collectivism is more towards the societal level as seen in *gotong-royong* (mutual help) which is non-profit making, compared with Chinese collectivism and culture orientation which are more family-oriented than business-like. Oh (1987) observed that,

Confucian society has liabilities as well as assets. When it comes to economic activity, qualities which in some situations are very helpful may on other occasions become hindrances.

While Confucianism is a central value in Chinese family businesses in Malaysia, Buddhism for most Malaysian Chinese represents 19 percent of the total population and is the second largest religion after Islam, which comprised 61.3 percent of the total Malaysian population in 2010 (Dos, 2010). So, Confucian values have greater importance than Buddhism when it comes to family business practices. Empirical evidence from Habrizah (1995) found that of forty Chinese



entrepreneurs in her study, more than half had no particular religion (non-believer) and only two regarded themselves as 'religious'; the rest were 'non-religious' and 'less religious' since they considered Buddhism as a 'folk-belief religion', 'more hindrance than assistance in business', 'more the Don'ts than the Dos', and 'can't see any element of benefit for business'. Contrastingly, all forty Malay entrepreneurs were Muslim and claimed that they had 'religious piety'. Surprisingly, 'risk taking' had the highest score in the Muslim 'religious group' than the Chinese 'less or non-religious' group. The degree of religiousness was divided into three levels, 'religious', 'less religious' and 'non-religious', to indicate the degree of Islamic teaching practice transferred into their daily lives and business practices, with all of them stating 'religious teaching as a guideline', 'religion is very important' and 'as spiritual support, moral of code, and guide to my actions' in business. However, in terms of transferring their businesses into second generations, Chinese entrepreneurs were found to place higher importance on this than their Malay counterparts (Habrizah, 1995). However, it is important to denote that Habrizah's study did not specifically focus on family businesses but on a mixture of family and non-family businesses, which made the Chinese seem favourable towards the family business because their business tradition is more family rooted than the Malays.

The traditional small Chinese family business is efficient at its own control as it is suitable for the market conditions which are small and localised, with short distribution channels and limited demand, and the innovativeness of the entrepreneurs in using scarce resources has made the Chinese businesses competitive, so it may be difficult for other races to control the retail and wholesale trade in Malaysia particularly and in South-east Asia generally. Factors seen as the strengths in a small-scale business become weaknesses as the business expands. However, the weaknesses of traditional small Chinese family businesses are shortage of capital, no manpower, inadequate planning, inability to demarcate between family and business systems, nepotism, not keeping up with times because of poor delegation of authority, and short-term gain. The traditional Malaysian Chinese family business owner often possesses an alert mind that reacts quickly to any environmental change and is usually very calculative, keeping most of the business information in his head. The general rule for their mark-up price criteria for most goods sold ranges from 15 to 20 percent. However, if large quantities of goods are sold with high turnover, the mark-up price will be about 5 percent. With newly introduced goods with little

competition in the market, the mark-up range may be 50-100 percent. Generally, the profit margin is low since most of the earlier traditional Malaysian Chinese family businesses were general stores and considered that the basics in business were to learn how to deal with customers and manage the shop; the preferred location was based on *feng shui* (geomancy), the traditional Chinese belief that good location must have a combination of a good ventilation and water flow (Sin, 1987; Silcock, 1963).

Traditionally, the identification of dialect groups in relations to the occupational types could be further classified, namely into import and export businesses were mainly dominated by *Hokkien* and *Teochew* since *Hokkien* formed a majority ethnic Chinese in Malaysia and the earliest settlers among Chinese migrations to Malaya, while general store businesses were previously dominated by the *Teochew* clan as well, while some others open-up coffee-shops of those who were *Hainanese* and *Hailam* clanship, *Henghua* with bicycle repair shops, *Hokchiu* in transport businesses, and *Hakka* with Chinese medical trade, while the *Cantonese* in technical works and goldsmiths (Lee and Tan, 2000; Mak and Lai, 1992; Tan, 1983; Han, 1975; Purcell, 1948). Some others Chinese clans opened small enterprises in new housing and factory areas with the urbanisation process and migration from rural to urban areas across the major cities in Malaysia which gradually reduced their ethnic and clanship stereotypes in relation to their original business occupations. Usually they operate their small businesses such as groceries as early from 7am to 9.30pm daily for six days a week, and some only close during the Chinese New Year. There is evidence that Chinese businessmen have poor time management, poor delegation of authority, poor work and accounting procedures, and weak corporate planning (Ann, 2008; Sin, 1987).

In the past, *Hokkien* and *Cantonese* were well known in their rivalry in commercial and mining industries in Malaysia. This scenario can be seen in the forming their powerful kinship organisations, of which *Hokkiens* were found actively involved in establishing kinship organisations where they founded the earliest Chinese clan association in Malaysia and encouragement participations of it, particularly in Penang in 1820 and later in Singapore as well. *Hokkien* clan membership was localised lineage which their membership strictly limited to clansmen from the same village or district originated in mainland China. In contrast to the

*Cantonese* and *Hakka* whose clans were recruited among non-localised lineage for being a membership, *Hokkien* domination of early trade in the Straits Settlement as a result of the nature of the overseas environment. Thus, social and linguistic background and the nature of Chinese immigration determined the form of early Chinese social organisation (Yen, 2000; Yen, 1986; Yen 1981).

Apart from clanship associations as a social organisation among Chinese immigrants, ‘secret societies’ were also set-up for protection and mutual helps. The ‘secret society’ has a negative and threatening connotation in the present time, but it was not so perceived by the Chinese settlers due to the fact that they were integrated into the social structure of the Chinese communities since they were tolerated by the governments in the Straits Settlement as well as in the Malay states as the *de facto* power structure among Chinese until 1889 when they were constrained by the Straits Settlements British governance. The powerful Chinese secret societies had helped to regulate and discipline the Chinese working class of immigrants’ labourers in competing the Malay and the European tin miners (Yen, 2000; Blythe, 1969).

### **2.11 Family Social Capital and Networking**

The term ‘family capital’ refers to resources within the family that can be made available to the business. When family resources or assets outweigh liabilities, a family has family capital (Sorenson and Bierman, 2009). Family capital is defined as the social, human and financial resources available to the business. Together, all three types of family capital account for a significant portion of family firm gross revenue and perceived success, particularly in small firms (Danes *et al.*, 2009). Of the three types of family capital, social capital best distinguishes family from non-family businesses. Non-family businesses can hire workers and obtain financial resources elsewhere, but family social capital cannot be hired or imported, it exists within family relationships. And the nature of family social relationships matters (Dyer and Dyer, 2009). Family social capital implies marketing knowledge which comprises ‘intelligence’ and ‘skill’; Lopes (2007) studied family businesses which were multinational companies and proposed two types of marketing knowledge, ‘sticky’ and ‘smooth’. Sticky marketing knowledge involves the routines and procedures within the enterprise to guide decision making and organisational action through personal experience and learning in the long run, and is embedded in the firm’s routines

and structures; defined by Penrose (1958) and Polanyi (1966) as ‘tacit’, it is acquired through business operation. Smooth marketing knowledge can be applied to different brands and managements in a range of industries, it is short-term, and directly acquired through mergers, acquisition and hiring consultants, or by professional management appointment (Lopes, 2007).

Relationships can be an asset when feelings of trust promote cooperation. Such relationships can attract family human and financial capital to the business. The heart of family social capital is the moral infrastructure: family members’ beliefs about themselves and how they should relate to one another and to the larger community (Hoffman *et al.*, 2006). Moral infrastructure provides the basis for family values, norms, obligations and expectations. Open dialogue within the family helps individuals to connect their own sense of morality to family beliefs (Sorenson *et al.*, 2009) and helps to ground family moral infrastructure in an innate morality that is common to individuals across communities and cultures (Haidt and Joseph, 2007).

Through dialogue, often around a family meal, family members can create common beliefs about their family and business identity. In family businesses, family beliefs form the basis for values, norms and expectations that guide interactions among stakeholders, including employees and customers. Thus, depending on their beliefs, the family can have a positive and/or negative impact on the larger community (Sorenson *et al.*, 2009).

To build and sustain family social capital, many families establish meetings and councils. Regular collaborative dialogue helps family members to remain grounded in their family social structure (Sorenson *et al.*, 2009). Some families produce collaborative documents in the form of constitutions and charters that capture family beliefs, values and norms, which help to maintain agreements and sustain collective trust (Hubler, 2009). Collective trust enables family members to work together efficiently and effectively in matters related both to the family and to the business. Families who maintain relationships have stocks of social capital available that can be employed for business purposes (Danes *et al.*, 2009; Sharma, 2008). Family social capital in the form of family support provides a foundation that enables family entrepreneurs to start new ventures (Chang *et al.*, 2009).

The dynamics of networking work in tandem with a firm's development. Butler and Hansen (1988) stated that "Networks are not static and the function for which they are to be valued [changes] with the development of the organisation". Small family businesses engage in interrelated activities with the social resources around them in order to achieve the desired goals. Using personal and family members' networking contacts, family business owners can obtain business information from government officials, consultants, friends, clients and so on in order to develop their business strategies and compete in the market place. Their products have to be distributed through marketing channels and sold to customers, while their profits from sales are used to pay business loans and expenses (Cooper *et al.*, 1991; Smeltzer and Fann, 1989), all of which involve networks. Entrepreneurial success and survival are achieved through access to resources such as money, social support from families and institutions, products, ideas, markets and information from the environment, and relationships between entrepreneurs and their personal contacts give them control over a variety of business resources (Abu Bakar, 1995; Carsud *et al.*, 1987).

The ties which develop networks take different forms and can be 'strong' or 'weak'. Strong ties exist between families and close friends. The early stage of a relationship involves social exchange which needs to be maintained and strengthened. At this stage, the relationships which were already strong when the entrepreneurs started their business are more supportive and more easily available to provide assistance to the entrepreneurs. On the other hand, if a person is acquainted with an entrepreneur, the strong tie between them becomes weaker and the weaker ties will lead the entrepreneur to access information and resources outside his social circle. Previous research has found that professional, technical, and managerial workers hear about new jobs through weak ties rather than strong ties. Contrastingly, strong ties are sought more frequently by small business entrepreneurs (Granovetter, 1982; Land, 1977). When relationships develop over time, 'trust' may exist. Small business entrepreneurs are encouraged to spend time with family members, relatives, suppliers, customers, bankers, relevant government authorities and so on to develop trust in networking relationships. Aldrich (1989) argued that networking involves a reciprocal expectation that both parties are investing in a long-term business relationship to ensure success and long-term survival.

Chinese business networking is known as *guanxi*, a term which is heard regularly in Chinese communities throughout mainland China, Hong Kong, Singapore, Taiwan and neighbouring countries with Chinese descendants, and there are slightly different dialect pronunciations (Wu, 2000) such as *kwongsi* among Malaysian Chinese.

The Chinese business mentality is rooted in *guanxi*, but Bian (1994) argued that the term has three meanings: an indirect relationship between two people, a direct relationship between two people and a contact person. The concept of *guanxi* symbolises an expressively personal connection combined with traits such as loyalty. It is not a relationship *per se*, but a form of social exchange based on sentiments and emotions and is marked by mutual belief in reciprocity (Chan, 2000). It has been regarded as a special and personal relationship between two people for long-term benefit (Zamet and Bovarnick, 1986). Chinese entrepreneurs prefer to do business with people they know well and with whom they have developed trust and loyalty. *Guanxi* represent a network of relationships between various parties (such as suppliers) which can complement one another and form a multi-dimensional continuum of interpersonal behaviour which benefits both the firm and the individuals working with it (Wellman, 2001; Pistrui *et al.*, 2006). Benefitting from *guanxi*, Chinese entrepreneurs feel more comfortable doing business with relatives and friends, which can reduce uncertainty, lower transaction costs, provide practical resources and exploit opportunities.

While *guanxi* operates on dyadic relationship, *guanxiwang* ('network') goes beyond that level. It is attained when a separate, personal and total relationship between two individuals A and B, and another relationship between B and C are interrelated through the common agent B, who acts as witness, contact person or facilitator. So *guanxi* is the basis of all relationships (Wu, 2000), as one of key features of Chinese culture (Lockett, 1988) and one of the core Chinese values (Kirkbride *et al.*, 1991). Reciprocity is important in *guanxi*: the norm obliges the one who has received a benefit to repay it at a later time. A transaction or exchange will only take place when there is mutual benefit. Reciprocity is a key element to sustain network relationships in a firm's operation (Wu, 2000).

Previous research has suggested that Malaysian Chinese businessmen from micro- to medium-sized enterprises do not rely on partners from South-east Asian when doing business in China and there is no clear evidence on the extensive Chinese network in South-east Asia in China (Ping and Hing, 2006). However, Malaysian Chinese small businessmen generally conduct business in Guangdong, Fujian and Hainan, the provinces from which there were emigrants to Malaya (Malaysia) since they can communicate through their sub-ethnic or clan dialects of these provinces and find more business opportunities there. In the early years of the twentieth century, some investments by Chinese migrants to Malaya were inspired by a desire to help to modernise China without any personal profit. However, this is not the case today, refuting the view of Redding (1993) who labelled the Chinese networking in Southeast Asia as an overseas Chinese whose supported each other in their business ‘bamboo network’.

### **2.12 Entrepreneurial Orientation (EO): A Strategic Perspective**

As the entrepreneurial paradigm expands, it is increasingly acknowledged that an organisation itself can behave in an entrepreneurial manner (Jennings and Lumpkin, 1989). Covin and Slevin (1991) and others have described an entrepreneurial organisation as an organisation with an entrepreneurial attitude using the term ‘entrepreneurial orientation’ (EO) in which particular behavioural patterns recur. These patterns encompass the organisation at all levels and reflect the top managers’ overall strategic philosophy on effective management practice. An EO can refer to the processes, practices and decision-making activities that lead to innovation. It emerges from a strategic-choice perspective, emphasizing that new-entry opportunities can be successfully undertaken by “purposeful enactment” (Child, 1972, Van de Ven and Poole, 1995, Lumpkin and Dess, 1996)

Mintzberg (1973) described EO as organisations characterised by having higher or lower entrepreneurial attitudes depending on the extent to which they proactively searched for new opportunities. Khandwalla (1977) suggested that entrepreneurial firms emphasise technological leadership, and research and development. He defined EO as the propensity of top managers to take risks when making decisions, in contrast to a more cautious, conservative, stability-oriented style of decision making.

Miles and Snow (1978) addressed the principal question of strategy content, which is the basic entrepreneurial problem: 'What business shall we enter?' To answer this question, it is necessary to determine a firm's domain and guide its product/market relationships and resource deployments. As the field of strategic management developed, the focus shifted to entrepreneurial processes, that is, the methods, practices and decision-making styles in which managers have to act entrepreneurially (Lumpkin and Dess, 1996).

Miller and Friesen (1982) made a clear distinction between entrepreneurial and conservative organisations:

- a) The *Conservative Model* views product innovation as something done in response to challenges, occurring only when necessary. Miles and Snow (1978) termed such firms 'reactors', Miller and Friesen (1978) referred to them as 'stagnating' and Mintzberg (1973) called them 'adapters'. The model predicts that innovation will not take place unless in three situations: (i) serious challenge, threats or instabilities in the environment; (ii) these are brought to attention of managers and analysed by them; and (iii) structural, technological and financial resources are sufficient for the innovation. Miller and Friesen (1982) tested this model empirically and found that conservative firms with positive and significant correlations expected innovation with environmental, information processing, decision making and structural variables.
- b) The *Entrepreneurial Model* views innovation as a natural state of affairs, in that it will be boldly undertaken, unless there is a clear evidence that resources are being consumed in pursuit of excessive product invention. It was found that negative correlations of innovation were found with information processing (scanning and control), decision making and structural integration.

Miller (1983) laid out the conceptual foundation upon which the vast majority of previous research on EO was based:

In general, theorists would not call a firm entrepreneurial if it changed its technology or product-line, simply by directly imitating competitors while refusing to take any risks. Some pro-activeness would be essential as well. By the same token, risk taking firms that are highly leveraged financially are not necessarily entrepreneurial. They must also engage in product-market or technological innovation.



Following Mintzberg (1973), Khandwalla (1977) and Miller and Friesen (1982), EO was regarded by Miller (1983) as an entrepreneurial act towards innovation, proactivity and risk-taking in a firm's strategic process (Covin and Slevin, 1991). More importantly, entrepreneurial organisations set in motion actions to which competitors respond. This offers a conceptual model of entrepreneurship as an organisation-level phenomenon representing the elements that relate to entrepreneurial behaviour among larger, established firms and suitable to be applied to smaller firms. Entrepreneurship can be described as a dimensionality of strategic posture representing a firm's risk-taking inclination, tendency to act aggressively, proactive approach, and reliance on product extension and innovation. Two additional dimensions, autonomy and aggressiveness, were added by Lumpkin and Dess (1996).

### **2.12.1 The Entrepreneurial Firm-Behavioural Perspective**

As has already been mentioned, in the field of entrepreneurial study chronologically, traits of the individual entrepreneur were a dominant area of discussion until the early 1980s. The emergence of the firm-behaviour model of entrepreneurship has been a promising subject of debate over more traditional entrepreneurship models and theories.

Covin and Slevin (1991) adopted a firm-behaviour model of entrepreneurship with a number of advantages:

- a) A firm-level model of entrepreneurship for level-of-analysis is considered appropriate because entrepreneurial effectiveness is arguably a firm-level phenomenon, thus an entrepreneur's effectiveness can be measured in terms of his or her firm's performance;
- b) A firm's performance is considered an organisational function as well as individual-level behaviour. It is acknowledged that individual-level behaviour on the part of the entrepreneur may affect an organisation's actions, and in many situations the two will be synonymous. In fact, organisational-level behaviour is a predictor of the key entrepreneurial effectiveness criterion of firm performance.
- c) A behavioural model of entrepreneurship is relevant because behaviour rather than attributes can explain the entrepreneurial process. They argued that an individual's psychological profile does not simply make a person an entrepreneur. Actually, we know entrepreneurs through their actions. Similarly, organisational structure or

culture do not make a firm entrepreneurial. It is an organisation's actions which make it entrepreneurial.

- d) Behaviour is measurable, explicit and self-evident; it is a manifestation of entrepreneurship by which the entrepreneurial level of firms can be measured reliably, verifiably and objectively. The development of entrepreneurial process knowledge is dependent on the ability to differentiate accurately between more or less entrepreneurial firms.
- e) The behaviour model of entrepreneurship is interesting because it is manageable. Thus, firm-level entrepreneurial behaviour is affected by and therefore can be managed through the creation of particular organisational strategies, structures, systems and culture. Therefore, a behavioural model of entrepreneurship allows for considerable intervention, and the entrepreneurial process is viewed as unknowable.

The shift of entrepreneurship research to a firm-level orientation by Covin and Slevin (1991) stresses the entrepreneurial process and the role of top management philosophies regarding entrepreneurship. A firm's success in its ventures depends on the commitment of top management to taking the firm through the entrepreneurial process, which consists of moving from identifying an opportunity to defining a business concept, evaluating and acquiring a business resource requirement, and managing and growing the venture (Stevenson *et al.*, 1989). When the entrepreneurial approach is considered as a process, entrepreneurship can be applied to a variety of firms which could be categorised as either entrepreneurial or non-entrepreneurial (Lee and Peterson, 2000).

The multidimensional approach expands the concept of EO, postulating that the relationship between EO and performance is context specific, and that entrepreneurial dimensions may vary independently of each other in different contexts. Based on contingency theory, there is no single best way to organise and to be effective and to make business decisions on planning, organising, leading and controlling, which have to take into account the particular circumstances faced by an organisation (Ginsberg and Venkatraman, 1985).

Lumpkin and Dess (1996) proposed three main elements of firm-behaviour in the multidimensional approach to EO, firstly, individual entrepreneurial orientation: including autonomy, innovativeness, risk taking, pro-activeness and competitive aggressiveness; secondly, organisational factors: including size, structure, strategy, strategy-making processes, firm resources, culture and top-management team characteristics; lastly, environmental factors: including dynamism, munificence, complexity and industry characteristics.

Table 2.14 depicts the concept of EO as first introduced by Miller (1983) and subsequently developed by different authors.

**Table 2.14: Entrepreneurial Orientation Concepts**

<i>Entrepreneurial Orientation (EO)</i>	<b>Miller, 1983</b> Management Sc, 29(7) pp.770-791	<b>Covin and Slevin, 1991</b> ETP, 16(1) pp.7-25	<b>Lumpkin and Dess, 1996</b> Ac. Mgmt Rev, 21(1), pp.135-172	<b>Lee and Peterson, 2000</b> J-World Business, 35(4), pp.401-416	<b>Rauch <i>et al.</i>, 2009</b> ETP, 33(3)pp.761-787
<b>Definition</b>	EO is an entrepreneurial process in terms of the stages or steps involved in moving from identifying a business opportunity to harvesting the venture, on how entrepreneurship is undertaken, and the methods, practices and decision-making styles used to act entrepreneurially (Covin and Slevin, 1991; Lumpkin and Dess, 1996; Lee and Peterson, 2000)				
<b>Key Characteristics</b>	<b>Seven Keys Entrepreneurial Process:</b> <ul style="list-style-type: none"> <li>• Risk Taking</li> <li>• Innovativeness</li> <li>• Aggressiveness</li> <li>• Decision-Making</li> <li>• Strategy</li> <li>• Structure</li> <li>• Environment</li> </ul>	<b>Three Entrepreneurial Postures:</b> <ul style="list-style-type: none"> <li>• Risk Taking</li> <li>• Innovative</li> <li>• Proactive</li> </ul>	<b>Individual Entrepreneurial Orientation composed of 5-EO's dimensions (additional two i.e. competitive aggressiveness &amp; autonomy):</b> <ul style="list-style-type: none"> <li>• Risk Taking</li> <li>• Innovative</li> <li>• Proactive</li> <li>• Competitive aggressive</li> <li>• Autonomous</li> </ul>	<b>Attributes of strong EO's firm:</b> <ul style="list-style-type: none"> <li>• Autonomous</li> <li>• Innovative</li> <li>• Aggressive</li> </ul> <b>Characteristics of national culture with strong EO:</b> <ul style="list-style-type: none"> <li>• Low Power Distance;</li> <li>• Low Uncertainty Avoidance</li> <li>• Masculinity</li> <li>• Individualism</li> <li>• Achievement-Oriented;</li> <li>• Universalistic</li> </ul>	<b>Meta-Analysis from 51 studies of 5-EO's dimensions as explained by Lumpkin &amp; Dess, 1996:</b> <ul style="list-style-type: none"> <li>• Risk Taking</li> <li>• Innovativeness</li> <li>• Proactiveness</li> <li>• Competitive aggressiveness</li> <li>• Autonomous</li> </ul>

Source: adopted and adapted from Miller (1983); Covin and Slevin (1991), Lumpkin and Dess (1996); Lee and Peterson (2000); Rauch *et al.* (2009)

Although Table 2.14 shows EO concepts as single definitions, various dimensions of EO characteristics have been studied in different categories, including national culture. However, three prevalent dimensions, risk taking, innovativeness and proactiveness, remained the core dimensions of EO. Very few studies have applied the EO dimensions in the context of culture, and hardly any have applied it in the context of family businesses; the exceptions being Spinelli and Hunt (2000), Martin and Lumpkin (2003), Nordqvist *et al.* (2008) and more recently Zellweger and Sieger (2012), and family business research has received overwhelming attention over the past two decades; EO's application in family business research will be discussed in detail in sub-section 8.3. Thus EO application in this thesis helps to expand the empirical evidence in a different continent, specifically Asia's culture of family business as compared to the existing literature focusing on the Western culture of the family firm.

### **2.12.2 EO: A Gap in the Cultural Approach**

EO is conceptualised as culturally universal and assumed to be practical in various different countries (Rauch *et al.*, 2009). However, Lumpkin and Dess (2005) suggested that examining the cultural effects on the strength of the EO/Performance relationship is a promising avenue for future research. Marino *et al.* (2002) showed that national culture, such as femininity and collectivism, moderates the relationship between EO and strategic decisions, but no such study has been done to examine explicitly any specific national culture dimension between EO and performance (Rauch *et al.*, 2009).

There is a need to acknowledge the individual person without discounting the proportion of the external environment which is an uncontrollable factor of an individual or firm. Thus, the study of entrepreneurship under a cultural umbrella seems appropriate since individuals' personalities and behaviours, firms' political and legal systems and structures, economic climate, and social are all intertwined with the national culture from which they originate (Lee and Peterson 2000; Berger, 1991).

Berger (1991) suggested that economic reform is only a part of the overall modernisation process, which must include cultural transformation. As a result, entrepreneurship develops from the bottom up: "It is culture that serves as the conductor and the entrepreneur as the catalyst [to

entrepreneurship]”. Consequently, a national culture that supports and encourages entrepreneurial activities is required, in which individuals are motivated by various factors such as financial rewards, achievement, social status, career and individual fulfillment.

### **2.12.3 EO in Family Business Research: Empirical Evidence**

Previous research using EO in family firms has found that the autonomy of family members of successive generations decreases, and that by involving more people in decision-making processes and deploying strong boards of directors, family business management limits its autonomy (Zellweger and Sieger, 2012; Martin and Lumpkin, 2003), and a ‘paternalistic’ leadership style is replaced by a more ‘participative’ style in later generations (Spinelli and Hunt, 2000). Nordqvist *et al.* (2008) suggested that autonomy is vital for long-term entrepreneurial survival and divided autonomy into two tiers; ‘external autonomy’ received from banks, suppliers, customers and financial markets outside from family institution, and ‘internal autonomy’ empowering individuals and teams within the firm.

Although autonomy and proactiveness are positively correlated with innovativeness (Rauch *et al.*, 2004; Lumpkin and Dess, 1996), the innovativeness dimension is considered a highly important dimension of EO for long-term survival, (Nordqvist *et al.*, 2008). McCann *et al.* (2001) found that younger and smaller family firms are more likely to be innovative than older and larger family firms. Risk taking in family firms is positively associated with proactiveness and innovation and negatively with financial performance (Naldi *et al.*, 2007). Moreover, Nordqvist *et al.* (2008) found that “there are less signs of risk-taking and competitive aggressiveness in comparison to proactiveness, innovativeness and autonomy” in the family firm, and in later generations partial support means that family firms are more risk-averse (Martin and Lumpkin, 2003). On the one hand, risk taking is defined in terms of investing personal assets and making loans to the business, tolerance of debt, and the importance of increasing profitability (Martin and Lumpkin, 2003), while on the other hand there is a willingness to innovate (Benson, 1991) and discrepancy of performance outcomes (Gomez-Mejia *et al.*, 2007) or debt levels (Mishra and McConaughy, 1999). Other studies have also shown that risk taking is an important dimension of entrepreneurial behaviour in family firms but that they tend to take less risk than non-family firms. This gives empirical support to the notion

that family firms tend to be more conservative and risk-averse in their strategy making (Naldi *et al.*, 2007; Carney, 2005; Schulze *et al.*, 2002). Therefore, the literature on risk taking in family firms is contradictory and problematic on whether family businesses are risk-averse or risk-inclined (Zellweger and Sieger, 2012).

Proactiveness is considered as more important, together with autonomy and innovativeness (Nordqvist *et al.*, 2008). These authors argued that, when the historical path/new path, independence/dependence, and informality/formality dualities are kept tight, family firms are given more freedom to act independently and proactively, so avoiding risk taking and competitive aggressiveness. Competitive aggressiveness also implies non-traditional methods of competition, such as new types of distribution or marketing (Lumpkin and Dess, 1996), while Martin and Lumpkin (2003) found that when the later generations take control and focus more on value and profitability than on directly challenging competitors to gain market share, the level of competitive aggressiveness decreases. Nordqvist *et al.* (2008), using a qualitative study, found that few of their interviewees chose to meet a competitor head-on (Lumpkin and Dess 1996), instead competing with little consideration of competitors' actions. This phenomenon, in the context of family firms, seems to suggest that competitive aggressiveness is less relevant to the entrepreneurial behaviour of firms (Zellweger and Sieger, 2012).

### **2.13 Family Business Long-Term Survival (Successful Longevity)**

In the five-stage Small Business Growth (SBG) model developed by Churchill and Lewis (1983) and Scott and Bruce (1987) as presented in Table 1.1 (Chapter 1) and discussed there in detail, the 'survival' of a new firm will be an issue as early as during the critical first three years after the inception or start-up of the venture (Gibb 1990; Bennet, 1989). Thus, the successful continuation of small business entrepreneurial activities after that critical start-up path is a clear sign of success (Littunen, 1998; Rehnman, 1972). Stages of family development of the business can affect family business survivability. In their start-up years, they often benefit from the overlap of family and business systems. During this stage, the firm's social dynamics are still highly organic, with all employees reporting directly to the founder/business manager. The informal nature of familial relations is frequently carried over into the business, serving to foster commitment and a sense of identification with the founder's dream. In addition, during those

early years, the family often provides the business with a steady supply of trustworthy workers (Lansberg, 1983; Ward, 1997). However, in later stage of development, family members can drain the profits of a family business (Ward, 1997).

The survival stage in small businesses refers to the stage between the existence of firms and profitability and the growth of the organisational life cycle (Churchill and Lewis, 1983). At this stage, the business has become a workable entity and retains a simple organisational structure and the founder is still synonymous with the business. The business has had a simple structure with minimal system development, a limited number of employees, decisions made independently by the owner, and enough customers satisfied with its product and services. At this stage, the shift is only from the business's existence to the relationship between revenue and expenses: the major goal is still survival. A business may move to another stage if it grows in size and profitability, or it may stay at the survival stage for some time earning marginal profits on the invested time and capital, or the owner might give up and retire. By having a slight loss or failing completely, the business no more exists. Thus, there are two central issues for the survivability of small firms; in the short run, the cash generated to break even and to cover the maintenance as well as replacement of the capital assets, and in the longer run to generate marginal cash flow in order for 'being' in business to finance growth for a market niche and economic profit on assets and labour.

Lucas (1978) believed that an individual who has relatively entrepreneurial ability becomes an entrepreneur, otherwise he becomes a worker. In term of managerial ability, a model developed by Jovanovic (1982) found that at business start up, self-employment gradually teaches an owner about managerial ability by experiencing running a business and observing how well the business is being conducted. As ability increases, the firm's behaviour changes, output expands and the more likely the enterprise is to stay in business.

The literature on new enterprises has discussed the 'liability of newness', a term coined by Stinchcombe (1965) in the context of social structure and the organisation. He argued that new enterprises face four main challenges and that social conditions at the time of founding influence the degree of 'liability' a new enterprise faces. The four main challenges are first, that a new

enterprise is involved in the creation and learning of new roles, and time invested implicitly or explicitly in educating new employees in their responsibilities is unavoidable; second, the process of inventing and learning new roles is quite costly since the time spent acquiring those skills creates uncertainty about roles, responsibilities and relationships between positions; third, employees in a new firm are unaccustomed to one another, and creating loyalty depends on whether the external social structure (family and friends) overrides the liability to relative strangers in the same firm: and fourth, the degree of liability in establishing relationships with other parties, especially potential customers and suppliers, so the stronger ties the competitors have built among themselves, the more difficult it is for new firms to establish initial ties to other organisations (Schoonhoven, 2005; Stinchcombe, 1965). Stinchcombe's work on new enterprises consisted of a mix of employees including non-family and family members, so family businesses which employ family members do not know whether these problems are common in family member employment.

## **2.14 Conclusion**

The main objective of this chapter is to give clear concepts by reviewing various resources of literature across disciplines, idea and issues in relation to the two ethnic cultures in operating a family business which in turn illustrates family business culture within family business's component systems. Entrepreneurial behaviour, like all human behaviour, is complex and its study requires theories that do justice to the complexity and richness of entrepreneurial behaviour being exhibited. The exploration of the culture of family businesses in Malaysia is a promising field to identify a set of successful characteristics of the family business owners which determine their survivability.

Malay and Chinese family business literatures in Malaysia have not yet been established since there has been no attempt to tackle the gap in the literature by studying family businesses to determine whether there are similarities or differences with the family business culture found in the Western literature. The researcher found difficulty in searching appropriate literature in the Malaysian context, but some previous literatures on Malay and Chinese enterprises do, although not in depth, help a little in explaining and understanding the effect of family dominance in Malay and Chinese enterprises. Thus, this thesis will help to reveal and explain the culture,



patterns and behavioural orientation of family businesses in terms of the survival of business endeavours.

Personal networks of entrepreneurs can be considered as part of business resources which have been neglected by small family business researchers. This segment of ‘internal’ (family members etc.) and ‘external’ (bank, friends, suppliers, customers and authorities etc.) resources, ‘strong’ or ‘weak’ ties networking promise strategic advantages for family businesses to leverage multiple supports in terms of moral, spiritual, and material. The Chinese business network has developed traditionally over clanship, friendship, and kinship, thus doing family business among them is meant to complement each other’s within their ‘*Chineseness*’ business circles, internally and externally. The Malays found weak in kinship business networking, but stronger in personal and friendship networking.

In this thesis, the ‘survival of a family firm’ as a continuous and dynamic process (Ward, 1987) refers to its longevity in terms of years of autonomous operation as a single enterprise or multiple enterprises of family business and thus would not refer to the classical stages of the SBG cycle which lumped non-family and family businesses together in Churchill and Lewis’s (1983), Scott and Bruce’s (1987), and Greiner’s (1972) models in which survival is between inception and profitability in micro and small business. But Ward’s (1987) Stages of Family Firm Development model shown in Table 2.8 explains family business survival as a continuous and dynamic process in three stages. Bates (1990) found that entrepreneurial input factors such as owner’s education level, family funding and family business networking lead to survival. Years of education was the strongest human capital variable for identifying business survival. However, age of owner was found to have a non-linear relationship with survivability. Survival in this thesis will take the form of the action and behaviour of entrepreneurial endurance of business longevity with the support of family and business systems, in maintaining founder’s family autonomy towards managing a bundle of resources.

## CHAPTER 3

### THE NEW ECONOMIC POLICY 1971-1990:

#### THE ENVIRONMENTAL IMPACT OF MALAYSIA'S AFFIRMATIVE ACTION

### 3.0 Introduction

For centuries, the Malay archipelago was considered an active inter- and intra-trading seaport before the intervention of Europeans from as early as the fifteenth century and the almost five-years of Japanese occupation from the early 1940s until the bombing of Hiroshima and Nagasaki in 1945. Numerous trading ports were developed along the archipelago's long coastline to serve regional and Asian trade since it was strategically located between two mercantile trading countries in Asia, India and China. Prior to the fourteenth century, Chinese merchants were well known to have supplied Chinese silk, pottery and lacquer-ware in barter-trading exchange for the region's natural resources such as rattan, resins, tortoiseshell, ivory and tin. The Malays enjoyed the sophistication of trading and the use of money during the Malacca sultanate, that is, before the invasion of European empire-builders. Similar sentiments spread among middle class, second generation Malays during the post-colonial era to those of the fourth Malaysian Prime Minister, Mahathir Mohammad, about Malay involvement in commercial activities (Mahathir 1970: 34):

We do not know when money in the form of coins was first used in Malaya. What we do know is that it antedated the coming of the Chinese. Ancient Malay coins show strong evidence of Indian and Arab influence and very little, if any at all, Chinese influence. It follows that sophisticated commerce involving money instead of barter was already in progress when the Chinese came.

It is worth noting that Malaya is the former name of an area comprising eleven states of rulers (sultans) in the peninsula before independence in 1957. It was known as the Federation of Malay States soon after independence, and with two other states in Borneo, Sarawak and Sabah, to form Malaysia later in 1963.

Mahathir's view quoted above suggests a common feeling among Malays that European colonial activities and Chinese aggression during the colonial era suppressed the Malays' trading and commercial activities. Europeans began to show interest in the Malay archipelago at the beginning of the fifteenth century with the expansion of their maritime power by seizing the strategic trading centres on this important world trade route, especially along the Malacca Straits, which is the longest straits in the worlds. In 1511, the Portuguese conquered Malacca's Malay Sultanate to take control of the spice trade, and were followed by the Dutch in 1641 in the form of the Dutch East India Company. The Portuguese and the Dutch did not completely dominate the trade but their presence in the Malay archipelago hindered the development of the surrounding area. In the late eighteenth century, the British East India Company came to the region in search of trading and military bases and engaged in the valuable trade with China. The Malay rulers were facing internal and external threats, and willingly cooperated with the British in exchange for protection and recognition, which led to the British acquiring three strategic ports, Penang, Malacca and Singapore, located off the west coast of the Malayan peninsula, naming them the 'Straits Settlement States'. In 1874, the Pangkor Treaty was signed establishing a direct British Residency system in four tin-rich states, Perak, Selangor, Pahang and Negeri Sembilan, known as the 'Federated Malay States'. Under British influence, each of the Federated Malay States was governed by a British Resident, whose advice must be sought and acted upon in all state matters other than those pertaining to the Malay religion and customs, which were left for the sultans (Jesudason, 1990; Turnbull, 1964; Parkinson, 1960).

With the influence of hundreds of years of colonialism, Malays have a major imprint on their psyche. The experience of external domination has weakened their collective self-confidence and driven them, particularly the second-generation, post-independence Malay elite and intelligentsia, to recover this loss in the symbolic, political and economic spheres. The first generation did not abstractly reflect on its meaning for group solidarity and destiny since they were part of the colonial past. The Malay community, especially the peasants, which suffered from profound economic, political and psychological anxieties about survival in an economic society, celebrated independence believing that their economic backwardness would quickly be reversed by the government upgrading their social status after decades of colonialism. Nonetheless, there were outstanding issues which needed to be solved, such as the necessity of

inter-racial accommodation for political stability and the *laissez-faire* economic system inherited from the colonial period (Jesudason, 1990; Vasil, 1980; Milne and Mauzy, 1978).

Malaysia's imbalanced economic distribution across three major ethnic groups, the indigenous Malays, the Chinese and the Indians, led to ethnic disruption on 13 May 1969, after twelve years of independence. This riot was a trigger event for Malaysia's economic landscape. The indigenous Malays claimed that as natives of the state, they had not been given any opportunity for economic enhancement after independence, while Chinese and Indian immigrants had been given privileges during the colonial era for more than four decades. The main problem since independence was that the Malaysian economy had a dualistic structure, with massive accumulated wealth in the modern sector appearing side-by-side with mass rural poverty and under-employment in the traditional sector (Faaland *et al.*, 2003; Shamsul, 1997).

Economic dualism in Malaysia was established during the early years of British rule in Malaya. Two distinct and parallel types of production grew up. The large-scale production and commercial activities of English joint-stock companies such as Guthrie, Harrisons and Crosfield (Faaland and Parkinson, 1986; *Straits Times*, 1953) constituted one type. Tin was produced using modern technology, and large rubber and palm oil plantations were established; these mining and plantation activities were centred in the rich, western part of the Malayan peninsula. The second type of economic life was the traditional basis which had evolved locally over the centuries and which ran alongside the western production and organisation systems. This consisted of peasant agriculture, mainly paddy, coconut, coffee on a small-holder basis, and on-shore fishing. (Faaland *et al.*, 2003; Shamsul, 1997).

At least three schools of thought have dominated Malaysian literature about the NEP (Mehmet, 2011). These were headed by Royal Professor (equal to Regius Chairs in UK) Ungku Aziz (1964) who drew on Structuralist-Institutionalist thinking to explain that Malay poverty under the NEP framework represented structured monopoly-monopsony exploitation. An important branch of the Structuralist school, the feudal land-ownership theory posited by Syed Husin (1972) contended that rural poverty was the consequence of the dynamic fragmentation of land as a result of the combination of Islamic inheritance laws and population growth. The Cultural school explained Malay poverty essentially in terms of Islamic values, especially fatalism, which

created dependency with low levels of self-esteem and aspiration. The Dependency Theory (Putchuchear, 1960) claimed that it was international causes of underdevelopment which explained the persistent poverty in Malaysia, by creating inequality and dependent participation in the international labour market. In the analyses which follow later in this thesis, all three of these explanations of the Malaysian context will be used widely in analysing the socio-economic situations of the major ethnic groups in Malaysia.

A clear example of the economic dualism was the amount of ownership of rubber smallholdings in Peninsular Malaysia (Malaya) in 1953. Rubber had become an attractive commodity among western investors as a result of the high profits made during the Korean ‘boom’ in 1910 (Putchuchear, 1960). From then until the late 1930s, many Chinese and Malays planted smallholdings in the foothills of the vast areas of reclaimed land. Although there was significant Chinese and Malay participation in these activities, the Chinese remarkably held second place to Europeans in terms of *per hectare* ownership, as illustrated in Table 3.1

**Table 3.1: Total Ownership of Rubber Smallholdings by Ethnicity in the Colonial Era, 1953**

<b>Ownership by Ethnicity</b>	<b>Total Ownership (Hectares)</b>	<b>Percentage (%)</b>
1. Malays	262,161	19.0
2. Chinese	411,615	29.8
3. Indians	94,011	6.8
4. European	573, 290	41.5
5. Others	39,093	2.8
<b>Total</b>	<b>1,380,170</b>	<b>100.0</b>

Source: adapted from Putchuchear (1960) and Voon (2007)

Table 3.1 shows that in 1953, four years before independence, Europeans constituted the largest smallholders, owning nearly half of the rubber plantations at 41.5 percent, followed by the Chinese with 29.8 percent, resulting in over two-thirds of the total ownership being held by these two groups. Malays followed with 19.0 percent, and less than 10 percent was held by Indians and others with 6.8 percent and 2.8 percent respectively (Voon, 2007; Putchuchear, 1960).

The Chinese were the only non-Europeans who established banks to serve Chinese traders and merchants with large-scale economic activities. The first European bank established was the Chartered Bank of Singapore in 1859. In 1903, 44 years later, Chinese traders and merchants created the first Chinese bank in Singapore, but the number increased to fourteen banks altogether serving Singapore as well as Malaya, initially offering services for different Chinese customers based on dialect groups or clanship (Voon, 2007; Drake, 1969; Mackenzie, 1954). It is worthy to note that in 1932, three *Hokkien's* banks, namely the Chinese Commercial Bank, the Overseas Chinese Bank, and Ho Hong Bank have merged into the Overseas Chinese Banking Corporation (OCBC) which became a financial source to Chinese economic expansion and diversification, specifically in Malaya and generally across South East Asia until present (Heng and Sieh, 2000; Amplavanar Brown, 1994).

Table 3.1 raises two assumptions about the nature of ownership and control in the hands of Europeans and the Chinese before independence: first, that Chinese capitalists were in the main compradors of European capital in the form of middle-men collecting produce for export, and distributing and retailing imports, since imports and exports at that time were mainly controlled by the European large firms. Second, the wide area of the economy controlled by non-comprador Chinese capitalists was still considered small compared with that controlled by European capital (Putchucheary, 1960).

### **3.1 Malaya Pre-Independence: the Fate of the Malay Rural Socio-Economic Agenda**

In 1947, ten years before independence, a group of Malay traditional religious teachers established a Centre for the Malay Economy in Malaya in order to revitalise Malays' interest in the economy and to propose the setting-up of a Farmers' Bank, a Malay National Bank and a Bank of Commerce during the colonial period. However, this did not happen. Instead, the Malay nationalists group in the Federal Legislative Council highlighted the fate and future of Malay socio-economic peasants. Among them were Onn Jaafar (Johor's Chief Minister), Hamzah Abdullah (Selangor's Chief Minister) and Nik Ahmad Kamil (Kelantan's Chief Minister), who influenced the British colonial government to assist the Malay rural economy. At the end of 1950, the Communities Liaison Committee (CLC) was established by the colonial government as an inter-ethnic body giving special attention to improving the economy of Malay rural dwellers

and as a forum to discuss the fate of the Malay socio-economic agenda and to enable Malay leaders to raise issues of concern (Nabir, 1976).

Consequently, the Colonial Draft Development Plan 1950-1955 (CDDP) was a framework for the establishment of the Rural Industrial Development Authority (RIDA), which was launched in 1951 as a legally instituted and full-fledged government body. Later, this organisation was expanded and in 1966 became the Indigenous People's Trust Council (IPTC), known in Malay as *Majlis Amanah Rakyat* (MARA). RIDA's role was to assist rural and medium-sized Malay entrepreneurs to obtain loans and skill enhancement for early business start-up or for expanding their existing business. The British colonial government reacted quickly to the Malay nationalists' concern about the Malay rural peasants' socio-economy and institutionalised the concept of pro-Malay affirmative action in the DPP, which incorporated the special rights and privileges framework of the Federation of Malaya Agreement in 1948. Prior to independence, the First Five-Year Malaya Plan 1956-1960 (FFYMP) led to the forming of another semi-governmental authority after the RIDA, namely the Federal Land Development Authority (FELDA), which was meant specifically to help very poor and landless Malays. The establishment of RIDA and FELDA to assist Malay rural peasants can be seen as an official recognition by the British colonial government of the need to develop the Malay rural socio-economic agenda. Nowadays, RIDA's functions and activities has been taken, revamped and expanded by the MARA (Shamsul, 1986; Fiennes, 1975).

However, looking from the opposite side, the establishment of RIDA was seen as a politically motivated move by the British colonial government prior to independence in 1957 since it was a direct outcome of political bargaining and growing confidence to grant non-Malay immigrants (the Chinese and Indians) Malaysian citizenship in exchange for Malay socio-economic upgrading (Jesudason,1990; Milne and Mauzy, 1980). In this context, Milne and Mauzy (1980) suggested:

[...] that the Malays, being indigenous, should have special consideration; that the rights were already there under the British and should not be terminated; that they are a trade-off for the concessions to be non-Malays on citizenship; that they are needed to enable the Malays to achieve a greater degree of economic equality.

The practice of economic dualism can be seen during the British Straits Settlements administration through employment by ethnicity. However, Table 3.2 depicts the Chinese and the Malays by selected sectors.

**Table 3.2: Employment Distribution by Selected Sector between the Chinese and the Malays in the Straits Settlements States of Penang and Malacca in Malaya, and Singapore in 1921**

Employment Classification	Chinese	Malay
Fishermen	5,459	10,275
Agriculturalists	49,504	57,829
Miners and Quarrymen	1,368	235
Non-Metal Industrial Workers	97	n/a
Electric Fitters and Workers	147	235
Leather Workers	823	n/a
Tailors	7,621	986
Carpenters	15,141	1,735
Construction Workers and Builders	4,138	629
Telecommunication and Transportation workers	46,267	13,508
Civil Administration and Defence	2,531	4,171
Business and Finance (excluding Clerical Workers)	52,818	4,436
Professional Workers (excluding Clerical Workers)	3,175	1,463

Source: adapted from The Census Report for British Malaya in 1921 (1922); Tham (1977); Asmah (2005)

The numbers of Chinese and Malays in the employment sector (including sectors not listed in Table 3.2) were 498,547 and 255,353 respectively, which shows that the Malays represented almost half the number of the Chinese, indicating that the Chinese provided the majority of the skilled workforce, and that the Malays were either not skilled or were self-employed in the agricultural sector and as peasants (Asmah, 2005; Tham, 1977). In the case of non-metal industrial workers, there were no Malays involved in this commercial sector. The traditional Malays at that time worked metal on only a small scale and for personal use, such as simple weapons and every-day utensils, so their traditional knowledge of the industry was limited.



Tham (1977) commented that

In rural areas, the lack of significant monetisation disallowed the growth of commercialisation that might have given the fillip to the growth of new economic groups and activities among the Malays [...] Thus, economic production followed cultural patterns already established. Malay culture was a culture that did not stress the use of metals for the production of cultural artefacts on an extensive and varied scale.

It can be seen from Table 3.2 that the Malays were more dominant than the Chinese as fishermen and farmers. Business and finance, and the professions were dominated by the Chinese, while the Malays were prominent in public administration and defence, areas that were protected and reserved for them. The huge disparities between the two ethnicities were likely to have been caused in part by the level of education and the opportunities for self-improvement which had left the Malays far behind. The Chinese as middle-men during the British administration tapped the opportunity to meet the British demand for basic resources and materials in the urban commercial economy. The Chinese were skilled at producing metals and delivering related products from their origins in Mainland China, and this gave them a head-start in delivery and economic competition, especially as the means of production was given great importance by the British, compared with the Malays who had no such traditional economic activity. About a year after the ethnic clash and the racial riot of May 1969, statistical data on employment by race and sector in Peninsular Malaysia reflected and justified the need to balance the economy across ethnicities, as shown in Table 3.3.

**Table 3.3: Employment by Sector for Malays and the Chinese in Peninsular Malaysia 1970**

Sector	Malays ('000)	% of sector in total	Chinese ('000)	% of sector in total
Agriculture, forestry and fisheries	925.4	67.6	293.0	21.4
Mining and quarrying	21.1	24.8	56.1	66.0
Manufacturing	84.4	28.9	191.0	65.4
Construction	16.9	21.7	56.2	72.1
Electricity, water and sanitation	10.2	48.5	3.8	18.0
Transport, storage and communication	49.0	42.6	45.5	39.6

*continue to page 118.../*

(Continued from Table 3.3; pg.117)

Commerce	69.3	23.5	192.6	65.3
Services	256.1	48.5	188.5	35.7
Total	1,432	51.5	1026.7	36.9
Labour Force	1,557.0	1108.9	334.4	26.0
Percentage (%)	51.5	36.6	11.1	0.8
Unemployment	124.6	82.2	36.8	24.3
Percentage (%)	8.0	7.4	11.0	8.0
Population	4,841.2	3,285.6	981.5	73.0
Percentage (%)	52.7	35.8	10.7	0.8

Source: adapted from Mid-Term Review of the Second Malaysia Plan (1973)

Table 3.3 shows the distribution by ethnicity of economic activities in 1970. Although the statistics give employment across all major ethnicities including the minorities, for the purposes of this thesis, only the Malays and the Chinese have been taken into account to reflect the discussion of the economic wealth and accumulation scenario among the Chinese community as compared with the native Malays. Table 3.3 shows that 67.6 percent of the total workforce engaged in agriculture were Malays. In the mining sector, the Chinese provided 66 percent of the total workforce compared with the Malays' 24.8 percent, 28.9 percent in manufacturing, followed by 21.7 percent in construction and 23.5 percent in commerce, all less than 30 percent, while the Chinese consistently dominated the entire sector with more than 60 percent of the total.

These figures show how the Malays were continuously classified as a 'peasant society' even after thirteen years of independence. It could be inferred that the Malays were a peasant society long before and continued after independence simply because they had their own 'Malay Title Land', since the British recognised the 'indigenouslyness of Malays' and that the 'special rights' of the Malay sultans and their Malay subjects must be protected (Winsteadt, 1950).

As a result of the traditional Malay contentment to continue in farming and agricultural activities, they were left behind in terms of the added-value of the economic activities related to trading, commerce and manufacturing which the Chinese had ventured into during the colonial period, making the traditional Malays a marginalised group after independence, since their

subsistence-level survival confined their efforts to their own farming activities. The backwardness of the traditional Malays with reserved land title was a subject of criticism among scholars before independence. These included Putchuehary (1960), who wrote that

The belief that the Reservation would protect the Malay farmer was based on two fallacies. One was the general view that Malay farmers fall into debt through thriftlessness and indolence. The second fallacy was the assumption that if non-Malays were prevented from treating land as a pledge for debt, Malays would be able to borrow less and land would be remain in the possession of the farmer.

The reservation ordinance prevented the land from becoming a ‘collateral item’ in return for the peasant Malays borrowing money and repaying the debt after harvest, and thus avoided the land ownership shifting into non-Malay hands. What really happened was that the farmers became trapped in a ‘debt crisis’ because of the ‘mortgage’ to the non-Malays of their crop yields.

### **3.2 The Social Bargain: A Social Contract for Ethnic Groups**

The social bargain of 1957 requires greater consideration because it constituted the backbone of the ‘social contract’ proposed by the dominant political parties of Malaya (UMNO and the MCA) which represented the nation’s ethnic groups. An understanding of this bargain is crucial for comprehending the formulation of the policy which became the central element in the economic development of the country – the New Economic Policy (NEP). The major ethnic immigrant groups, mainly the Chinese and Indians, were made citizens under the Malaysian Constitution, but in turn they had to accept the Malays and other indigenous minorities under what was termed by many ‘Malay supremacy’ or *KetuananMelayu*, which was written into the Constitution (Shamsul, 1997).

Article 153 of the Constitution identified the special rights preserved for the Malays and other indigenous peoples. At the same time, few other articles focused exclusively on their rights and prerogatives under the Constitution. The significance of this provision was that the economic and social well-being of the Malays would be protected and promoted over those of the more economically advanced non-Malays. The Malays also acquired extra transport and business licenses, educational privileges, and prior rights of employment in the civil service and the armed forces. In addition, the ‘reserved land title’ in this Constitution was also made available to them as a protected land which stated during colonial in the Malay Reservations Enactment (1913-

1921), since the Malay peasant could be regarded as permanent settlers in the country, unlike the immigrant Chinese and Indian. The Malay peasants owned three types of land namely, isolated holdings, orchard '*kebun*', and the village or '*kampong*'. (Ahmad Nazri, 1985; Lim, 1977)

The need for these provisions may be questioned since the Malays were and still are the indigenous people forming the majority of the population. The Constitution offers no answers to this challenge. The trade-off generally satisfied the major demands of each community. The Malays acquired political domination in return for a free enterprise system that left the Chinese with economic supremacy. The obvious supremacy of political power over economic power and the United Malay National Organisation's (UMNO) position as the senior partner of the National Alliance parties reflected an understanding that any policy would have to be based on the precept of Malay (UMNO) political dominance. Compromises and negotiations on specific issues would have to be made within these boundaries. In return, the non-Malays were given federal citizenship and freedom to conduct their businesses unimpeded. They also retained and developed their own cultural and linguistic heritage and had their rights guaranteed under the Constitution. This means that while the Malays were given special privileges under the Federal Constitution, non-Malays citizens had their rights protected under the prerogative (Faaland *et al.*, 2003; Khairiah Salwa, 2001).

The deal prompted almost one million immigrants to apply for federal citizenship. They thus gained political influence through their voting strength. However, descendants of the then new non-Malay citizens challenged the Constitution, saying that it degraded them to second-class citizens in their own country of citizenship and even of birth. In effect, the government's attempts to help the Malays amounted to discrimination against non-Malays, who were not willing to continue to bear the burden that their forefathers had accepted (Khairiah Salwa, 2001).

It was understood throughout the social bargaining that non-Malays would help to teach the Malays about business and commerce. Historical and statistical records indicate that, on the whole, non-Malays did not keep this gentlemen's agreement reached by the major party leaders. The Democratic Action Party (DAP) was the opposition party in which the Chinese were dominant, while the National Alliance parties, including the Malaysian Chinese Association (MCA) and even the Malaysian Indian Congress (MIC), produced no plans or initiatives to help the Malays in the private sector. Indeed, they discriminated against Malays in business in the

allocation of both contracts and employment. They claimed that the Malays were inferior and capable of doing only those jobs which were physically and mentally less demanding. At best, they hired the Malays for purely cosmetic and public relations purposes, especially if the company concerned dealt with government departments manned by Malay officers (Faaland *et al.*, 2003).

### **3.3 National Ideology**

One of the long-term measures announced after the 13 May violence was a national governing ideology, which it was believed would assist the government in guiding the country towards national unity. The government made it very clear that the ideology, which was based on the Constitution, would apply without reservation and could not be broken unilaterally (Milne, 1970). The principles of the Constitution of Malaysia (*undated*) could not be challenged and all political activity should follow accordingly. The government was concerned with a number of provisions dealing with the most sensitive issues in Malaysian politics (Wicks, 1971). They were:

#### **3.3.1 Article 3- Religion of the Federation of Malaysia**

- (1) Islam is the religion of the Federation, but other religions may be practised in peace and harmony in any part of the Federation;
- (2) In every State other than States not having a Ruler the position of the Ruler as the Head of the religion in his State [...].

#### **3.3.2 Article 14- Acquisition of Citizenship**

- (a) [...] every person born before Malaysia Day who is a citizen of the Federation by virtue of the provisions contained in Part 1 of the Second Schedule; and
- (b) every person born or after Malaysia Day, and having any of the qualifications specified in Part 11 of the Second Schedule.

#### **3.3.3 Article 28a-Acquisition of Citizenship**

- (2) [...] a person who on Malaysia Day becomes a citizen by operation of law because immediately before that day he has the status of a citizen of the United Kingdom and Colonies shall be treated:
  - (a) as a citizen by registration if he acquired that status by registration; and

(b) as a citizen by naturalisation if he acquired that status by or in consequence of naturalisation.

### **3.3.4 Article 71 - The Rights and Prerogatives of the Malay Rulers**

The federation shall guarantee the right of a Ruler of a State to succeed and to hold, enjoy and exercise the constitutional rights and privileges of Ruler of that State in accordance with the Constitution of that State, but any dispute as to the title to the succession as Ruler of any state shall be determined solely by such authorities and in such manner as may be provided by the Constitution of that State.

### **3.3.5 Article 152 - Malay language as the National Language**

The national language shall be the Malay language and shall be in such scripts as Parliament may decree by law provided that [...] no person shall be prohibited or prevented from using (otherwise than for official purposes), or from teaching or learning, any other language.

### **3.3.6 Article 153 - Special Privileges for the Malays**

(1) It shall be the responsibility of the Yang di-PertuanAgong to safeguard the special position of the Malays and natives of any States of Sabah and Sarawak and the legitimate interests of other communities in accordance with the provisions of this article.

Of these Articles, Articles 3, 71, 152 and 153 are meant to preserve the native Malay hegemony as the British had recognised the *sultan*, Malay language as national language, Islam as an official religion, and to establish the rights of the Malays before independence in 1957. Articles 14 and 28(a) defined a ‘social contract’ for Chinese and Indian immigrants and citizens of the United Kingdom and Colonies, granting citizenship in return for them recognising the hegemony of the Malays and the rulers.

The formulation of the ideology and the constitutional amendments, which identified its key components, signified that sensitive communal issues were deemed to be the business of conventional political forums. The national ideology known as ‘*Rukunegara*’ was designed to ensure acceptance of the principles of the Constitution by the people. It was also designed to promote nation building and to overcome existing primordial loyalties with the hope that a united

Malaysian nation would be formed, based on equal justice and a fairer share of the fruits of economic development for all the people, irrespective of race and origins (Milne, 1967). It was hoped that this would avoid civil disturbance and thus establish continuous political stability. So far, the ideology has proved successful. The political statesmanship and foresight of this approach to nation building by means of consensus instead of confrontation, and through frank but closed-door discussions of sensitive national issues, has been vindicated by a long period of uninterrupted political stability from 1969 to the present (Faaland *et al.*, 2003).

### **3.4 The New Economic Policy 1971 to 1990**

After independence, a general path for economic progress has been mapped out in a series of five-year development plans. The First Malaya Plan (1956-1960) and the Second (1961-1965) Five-Year Plan of the Federation of Malaya formed the General Development Plan. This was followed by the First Malaysia Plan (1966-1970), the Second Malaysia Plan (1971-1975), the Third Malaysia Plan (1976-1980), the Fourth Malaysia Plan (1981-1985), the Fifth Malaysia Plan (1986-1990), the Sixth Malaysia Plan (1991-1995), the Seventh Malaysia Plan (1996-2000), the Eighth Malaysia Plan (2001-2005), the Ninth Malaysia Plan (2006-2010) and the current Tenth Malaysia Plan (2011-2015).

The NEP was introduced in response to the racial riots in 1969, to promote growth with equity with the objective of fostering national unity among the various races. It was the aim of this policy to reduce and eventually eradicate poverty by raising income levels through increasing employment opportunities, irrespective of race. It was also aimed at accelerating the process of restructuring Malaysian society to correct economic imbalance, to reduce and eventually to eliminate the identification of race with economic function (Faaland *et al.*, 2003).

After the end of NEP and the end of First Outline Perspective Plan (OPP1), the government formulated its Second Outline Perspective Plan (OPP2) known as the National Development Policy (NDP), covering the period 1991 to 2000. Under this policy, the NDP would maintain the basic strategies of the NEP, giving special emphasis to the following aspects (Malaysia, 1991b): first, to shift the focus of the anti-poverty strategy towards eradicating hard-core poverty while at the same time reducing relative poverty; second, to focus on employment and the rapid development of a Bumiputera Commercial and Industrial Community (BCIC) in order to

increase Bumiputera participation in the modern economic sectors; third, to rely more on the private sector being involved in the restructuring objective by creating greater opportunities for its growth; and fourth, to focus on human resource development as a fundamental requirement for achieving the objectives of growth and distribution.

In line with OPP1 and OPP2, the government's vision is to transform Malaysia into a fully industrialised nation by 2020. This futuristic vision has acted as a platform for a radical transformation of the Malaysian economy in the 1990s and into the twenty-first century, requiring a strategic shift in the overall development policy. According to Vision 2020, Malaysia aspires not only to economic success but also to be a nation which is fully developed economically, politically, socially, spiritually, psychologically and culturally.

In 2001, the Third Outline Perspective Plan (OPP3) was launched, which embodies the National Vision Policy (NVP). This policy incorporates the critical trust of the previous development policies (the NEP and NDP) with the principal objective of national unity. The key thrusts of NVP under OPP3 (2001-2010) are as follows (Malaysia, 2001); first, building a resilient nation by fostering unity and inculcating the spirit of patriotism, achieving political maturity, building positive values in society, raising the quality of life and increasing economic resilience; second, promoting an equitable society by eradicating poverty and reducing imbalances among and within ethnic groups as well as regions; third, sustaining high economic growth by strengthening the sources of growth, the financial and corporate institutions as well as macro-economic management; fourth, enhancing competitiveness to meet the challenges of globalisation and liberalisation; fifth, developing a knowledge-based economy as a strategic move to raise the value added of all economic sectors and to optimise the brain power of the nation; sixth, strengthening human resource development to produce a competent, productive and knowledgeable workforce; and seventh, pursuing environmentally sustainable development to reinforce long-term growth.

To achieve all this, the private sector has to spearhead economic growth, while the public sector provides a supportive environment and ensures the achievement of the socio-economic objectives, particularly with regards to economic disparity between ethnic groups, as well as between strata and regions to bring about unity and stability (Ishak and Surtahman, 2009).



Affirmative action policy has been practised in countries such as the US in the 1960s to achieve civil rights for the Black, Hispanic and other minorities and bring equality among US citizens. On the other hand, Filipinos, Cambodians, Pacific Islanders and other Asian-Americans continue to benefit from policies that take ethnicity into account. The policy of affirmative action has been solely to give Black and Hispanic minorities access to prestigious schools and to universities (M. Bakri, 1999). It is useful to compare the two types of affirmative action in Malaysia and in the US. In Malaysia, the policy is purely for the benefit of the Malays, the majority of the native population who have been marginalised for almost 500 years as the impact of colonialism. The US policy seeks to treat ethnic and marginalised minorities such as Blacks, Europeans and ethnic Chinese fairly.

### **3.5. Economic Progress under the NEP (1971-1990)**

The NEP embedded in OPP1 started after the 1969 racial riots. Succinctly, the two main factors which contributed to that bloody tragedy were poverty and the economic imbalance between different ethnic groups. In an effort to address the problem, the government formulated a long-term economic plan to cover a twenty-year period starting during the second Malaysia Plan (1971-1975). The NEP incorporated a two-pronged goal for development: to eradicate poverty by increasing employment opportunities and raising income levels, and to accelerate the process of restructuring Malaysian society through equitable economic distribution and eventually to eliminate the identification of race with economic functions (Mehmet, 2011; Surtahman and Ishak, 2009).

During the 1970, poverty continued to be an important issue which existed across races, especially among rural dwellers. In the 1970s, the total number of poor families in Peninsular Malaysia was still relatively high, accounting for almost half of households. Table 3.4 shows that 58.3 percent of rural households were poor, whilst in the urban areas only 24.6 percent were considered poor. Since the majority of the Malay population lived in rural areas, the number of poor families among the Malays was also high during that period, as shown in Table 3.4. Poverty also occurred among the other ethnic groups, especially among Indian households. Therefore, during the period of the NEP, the eradication of poverty became the main strategic aim. In Malaysia, household income was deemed to be borderline between the poor and the non-poor,

and those with an income below this line are deemed poor (Mehmet, 2011; Surtahman and Ishak, 2009; Shireen, 1998; Ravailon, 1992). Although the literature suggests that poverty in Malaysia is a non-racial issue, the data show that it was confined to the Malays for three reasons, low productivity, exploitation and neglect. As a result, most Malays lived on wages below the national average (Mehmet, 2011; Shireen, 1998; Ungku Aziz, 1964).

**Table 3.4: Poverty by Stratum and Ethnicity in Peninsular Malaysia in 1970**

<b>Stratum and Ethnicity</b>	<b>Total Household ('000)</b>	<b>Poor Household ('000)</b>	<b>Poverty in Percent (%)</b>
Rural	1,166.7	683.7	58.6
Urban	439.3	108.1	24.6
<b>Total</b>	<b>1,606.0</b>	<b>791.8</b>	<b>49.3</b>
Malay	901.5	584.2	64.8
Chinese	525.2	136.3	26.0
Indian	160.5	62.9	39.2
others	18.8	8.4	44.8

Source: Malaysia (1976), Third Malaysia Plan: Table 9-6

The incidence of poverty within the rural agricultural sector was attributed to uneconomic land holdings, traditional methods of farming and lack of access to modern inputs. The urban poor comprised those engaged in low productivity traditional urban activities, such as hawkers, petty traders, stallholders and workers in activities that required no basic skill or training. Poverty eradication was necessary not only to increase income but also to ensure that the poor had adequate access to basic needs such as nutrition, housing, health, education and transport. Poverty is also frequently associated with those who are unemployed, underemployed and engaged in agricultural, industrial and services which have low levels of productivity (Mehmet, 2011; Surtahman and Ishak, 2009; Shireen, 1998)

### **3.5.1 The Malays' (*Bumiputera*) Capital Ownership and Entrepreneurship**

Apart from alleviating poverty, NEP was aimed at restructuring the identification of economic activities by race. Upon achieving independence, the native people and the Malays were heavily involved in traditional agriculture with relatively low productivity levels, whilst the Chinese were highly involved in business activities and most of the ethnic Indians worked in the rubber

plantations. This clearly reflects imbalances of economic activities among the ethnic groups which required appropriate readjustment. The NEP was intended to increase employment of the Malays in the modern secondary sector from 30.8 percent in 1970 to 51.9 percent in 1990 (Mehmet, 2011; Faaland *et al.*, 2003; Shireen, 1998).

Similarly, in terms of ownership, the NEP was also aimed at increasing capital ownership among the Malay ethnic groups compared with other races, in particular the Chinese. Ownership and control of wealth is an important source of income, but the Malays had less means, because before the 1970s, non-residents and the Chinese had the largest share in terms of capital ownership while the Malays had the lowest. Malay ownership of share capital in limited companies constituted only 1.0 percent in 1969 compared with much higher percentages owned by other races (*see* Table 3.5).

The restructuring targets of the NEP were first defined in the Outline Perspective Plan (OPP). Through the development and modernisation of the economy, the role of the corporate sector would increase as the structure and financial sophistication of the economy developed. It was argued that the key to the ownership and control of wealth would be through the ownership of the equity capital of various enterprises. It was necessary to have a more balanced pattern in the ownership of assets in all sectors of the economy. The government's target was that by 1990, the Malays and other indigenous peoples would own and be able to manage at least 30 percent of all commercial and industrial activities. The overall target for capital ownership was that non-Malay Malaysians would own 40 percent, with foreigners owning the remaining 30 percent (Malaysia, 1973). The 30 percent target for the Malays' corporate ownership capital was a considerable increase over the 1.9 percent held in 1970. It was argued that the change would lead to correspondingly more Malay participation in the modern economy, increase their ownership and control of the sector and further increase the ethnic structures of employment and income (Malaysia, 1971).

Table 3.5 compares the target set for *Bumiputera* ownership of 30 percent of share capital of limited companies (Faaland *et al.*, 2003).

**Table 3.5: Ownership and Control of the Corporate Sector 1971 to 1990**

(Percentage held by ethnic group; figures relate to par values)

<b>by Ethnicity and Percentage by Year</b>	<b>1969*</b> (%)	<b>1971**</b> (%)	<b>1975</b> (%)	<b>1980</b> (%)	<b>1985</b> (%)	<b>1988</b> (%)	<b>1990</b> (%)
Malaysian Residents	37.9	38.3	46.7	52.5	74.0	75.4	76.3
Bumiputera Individuals	1.0	2.6	3.6	4.3	11.7	13.0	13.6
Bumiputera Trust Agencies	0.5	1.7	5.6	8.1	7.4	6.4	6.0
Other Malaysian Residents	36.4	34.0	37.5	40.1	54.9	56.0	56.7
Foreign Residents	62.1	61.7	53.3	47.5	26.0	24.6	23.7
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Multiple Sources: adapted from \*Malaysia (1971), Second Malaysia Plan, Table 3-1 (column of table only for 1969); \*\*Fourth Malaysia Plan, Table 3.13. p. 62 for 1971-1980; Mid-Term Review of the Fifth Malaysia Plan, Table 3-12, p. 70 (These columns of tables from 1971 to 1990).

Table 3.5 shows that Malay individuals and trust agencies increased their percentages of ownership and control from 1.5 percent (1.0 plus 0.5 percent) in 1969 to 19.6 percent (13.6 plus 6.0 percent) in 1990 which is more than 1,200 percent. However, after 1985, the steady growth was affected badly by the world recession. Only 19.6 percent had been achieved by 1990 held by Malay individuals and Malay trust agencies respectively of the overall target of 30 percent for *Bumiputera*. These data refutes the claim that during the NEP period, non-*Bumiputera*, especially Chinese and Indians, were marginalised economically as other Malaysians including Chinese and Indian grew more than half (55.8 percent) in terms of ownership and control from 36.4 percent in 1969 to 56.7 percent in the end of NEP. The growth of the other Malaysians including Chinese and Indian by more than 50 percent as result of expanding their stakes by reducing the foreign residence ownership for almost 38.4 percent (change of percentage between 1969 to 1990 for foreign residents' ownership).

There is no clear indication that the modest increase in capital holdings by Malays was achieved at the expense of Malaysia Chinese or Indians, as claimed by certain parties and highlighted by the Malaysian media. The 30 percent capital holding target was meant to be distributed widely and was not meant to be the controlling interest, and if the capital issues were made on terms which properly reflected their market standing and expected profitability, they may have been even welcomed as a source of additional capital. The requirement to include Malay participation in the capital of companies may have been open to abuse but, principally it was no different from any other stock exchange functions which determine the mixture of holdings among shareholders (Faaland *et al.*, 2003; Gomez and Jomo, 1999; Gomez, 1990; Fong, 1990).

In this regard, Ye (2005) and Jesudason (1990) have argued that the implementation of the NEP and the growing attempts by the government to enhance Malays' participation in the industrial sector resulted in the dynamism and potential contribution of Chinese SMEs into this sector being restrained and undermined the quality of industrial development in Malaysia. There is insufficient empirical evidence to justify this argument (Gomez, 2004). The fact is that Malaysian Chinese SMEs successfully managed to sustain themselves even though the government provided minimal support financially, but some of them exhibited the capacity to develop considerably. Furthermore, Jesudason (1997) considered that Malaysia was fast reaching a plateau of 'tolerable equilibrium' whereby economic and political interdependencies were taken into account, rather than a convergence of ethnic values to provide more interaction and cooperation among multi-ethnic groups working for the sake of the common good, although at present, the Malaysian Chinese and the Malays are predicted to be working more closely with one another, in contrast with the previous stumbling block based on a distinct ethnic dichotomy (Lrong, 1998).

A national census of enterprises by ethnicity and category was carried out every ten-years, and the latest census in 2005 revealed that in terms of number of enterprises, *Bumiputera* were still left behind non-*Bumiputera*, including Chinese, Indian and other minor ethnicities, in enterprising activities, whether micro, small or medium size (*see* Table 3.6). However, these data seem plausible by looking at the percentage of enterprises representing *Bumiputera* of 37.6 percent compared with non-*Bumiputera* combined multi-ethnicities at 62.4 percent. Added-value

per enterprise for *Bumiputera* and non-*Bumiputera* enterprises was RM 176,731 and RM 357,378 respectively.

**Table 3.6: Census of Enterprises by Ethnicity and Category in 2005**

Ethnicity	Number of Enterprises		%	Added-Value RM (Million)	%	Number of employees	%	Wages RM (Million)	%	Fixed Assets RM (Million)	%
	<i>Malays</i>	Micro	180,889	33.2	9929.423		455,418		2050.857		36669.092
	Small	21,537	3.9	13386.758		254,992		3980.726		24708.342	
	Medium	2,458	0.5	12893.309		127,083		2331.556		25260.935	
	<b>Total</b>	<b>204,884</b>	<b>37.6</b>	<b>36209.49</b>	<b>23</b>	<b>837,493</b>	<b>26.3</b>	<b>8363.139</b>	<b>20.2</b>	<b>86638.37</b>	<b>26.7</b>
<i>Chinese, Indians and other ethnic minorities</i>	Micro	252,155	46.3	31568.527		759,460		6525.12		93381.773	
	Small	77,670	14.3	50765.747		1049.826		16082.459		69567.427	
	Medium	10,054	1.8	39130.866		541,711		10381.56		74713.684	
	<b>Total</b>	<b>339,879</b>	<b>62.4</b>	<b>121465.14</b>	<b>77</b>	<b>2,350,997</b>	<b>73.7</b>	<b>32989.139</b>	<b>79.8</b>	<b>237662.883</b>	<b>73.3</b>
Grand Total	<b>544,763</b>	<b>100</b>	<b>157674.63</b>	<b>100</b>	<b>3,188,490</b>	<b>100</b>	<b>41352.278</b>	<b>100</b>	<b>324301.253</b>	<b>100</b>	

Source: multiple sources of Economic Planning Unit (undated)

Note: RM currency rate as at September 2012, 1 GBP = RM 4.98

Table 3.6 shows that the total number of Malay enterprises was not much larger than that of the Chinese, Indian and ethnic minorities, with total 204,885 (37.6 percent) units and 339,879 (62.4 percent) units respectively without regards to the types of industries. Although the number of Malays still lesser as compared to non-Malays in enterprising activities, the total Malay business ownerships represent quite a significant proportion as compared to the total business entities especially at macro-size, although small-and medium sized are still far lower proportion than those of non-Malays. In terms of added-value, number of employees and wages, the Malay recorded overall less than 30 percent of total proportions with 23 percent, 26.3 percent and 20.2 percent respectively than that of gaining by the non-Malays. This also shows that non-*Bumiputera* enterprises doubled their added-value over *Bumiputera* enterprises, assuming that the non-*Bumiputera* enterprises were more capital intensive than the *Bumiputera*. Another contributory factor is that most of the *Bumiputera* are still more comfortable working as employees in the government or private sectors, which is the most secure wage-earner. The Malays need to upgrade or increase the number of participation at small- and medium-sized in order to gain more-added value in the activities. The Malays enterprises have to strengthen and

double the efforts towards self-employment of that produce high earnings and high added-values activities such as manufacturing and innovation. If the Malays fail to increase high added values activities, thus, there is no different in producing progressive Malays although much effort taken by the governments as compared with the previous 'peasant Malays' with low productivity in agriculture which in turn taking them below the poverty line.

Therefore, in this thesis there is a need to study in-depth into the Malays entrepreneurial activities at micro-and small-sized as the non-Malays do, in order to get better picture of obstructions and challenges faced by them. Thus, family businesses of the Malays and Chinese are better choice of entities to be approached, since large proportion of micro-and-small sized enterprises in Malaysia are sole-proprietors as shown in Table 3.6 with the help of their nuclear and extended families.

The government through the NEP emphasised Malays' participation through equity ownerships but the Malays have to equip themselves with sets of knowledge, skills and capabilities in tandem with the government efforts. Loans, facilities, business placements, and advice in business and manufacturing were made available to help them gain contracts from the government. The government also encouraged foreign companies to employ local workers both at professional and skilled levels.

During the NEP, the economy grew at an average rate of 6.7 percent a year. The growth rate was higher in the 1970s (7.5 percent a year) than in the 1980s (5.9 percent a year) due to the world's recession. But the economy recorded a higher growth rate during the 1990s with an average annual rate of 6.8 percent. During this period, the economy experienced rapid transformation which subsequently changed the national economic structure significantly.

The rapid economic development during the NEP brought about a significant reduction in the poverty level. Table 3.7 shows that the proportion of households living below the poverty line in Peninsular Malaysia declined from 49.3 percent in 1970 to 15.0 percent in 1990. The expansion of the secondary sector, particularly through manufacturing activities, created more jobs which subsequently reduced the national unemployment rate to 5.1 percent in 1990. However, with regards to the restructuring of society, the involvement of Malays in administrative and managerial jobs increased slightly from 22.4 percent in 1970 to only 31.3 percent in 1990,

although the NEP target was much higher at 60 percent. Similarly, the share of Malay ownership of capital shares in limited companies subsequently increased, but was still way behind the NEP's 30 percent goal.

**Table 3.7: Malaysian Economic Progress (%) between 1970 and 1990**

<b>INDICATOR</b>	<b>1970 (%)</b>	<b>1990 (%)</b>	<b>1970-1990 Percentage Change (%)</b>
Economic Growth	5.0	6.7	34
Unemployment	7.5	5.1	<b>-32</b>
Poverty	49.3	15.0	<b>-69.6</b>
Malays' Employment in Administration and Managerial Jobs	22.4	31.3	39.7
Malays' Capital Share	2.4	19.3	704.2

Source: adapted from Malaysia (1991a), Sixth Malaysia Plan: Table 1-10.

Of the five indicators of Malaysian economic progress, unemployment rate and poverty level decreased over the twenty years, -32 percent and -69.6 percent respectively. The aims of the NEP were to eradicate racial imbalance in economic activity and eradicate poverty. It seems that the government successfully achieved correcting economic and social imbalances, particularly for the Malays, the most deprived ethnic and native group. The size of the public sector increased by recruiting new staff by 39.7 percent, from 22.4 percent in 1970 to 31.3 percent in 1990 at the end of NEP. The government and policy makers believed that increasing the number of Malays in work would indirectly increase their social status. However, the post-NEP period has shown that social class disparity within ethnicity, regardless of what race, attracted much attention from the public. The dramatic change over the whole 20-year NEP implementation was benefitted by the growth in the Malays' share in the capital market which grew by 704.2 percent from 2.4 percent in 1970 to 19.3 percent in 1990. Despite this remarkable increase in Malays' capital share holdings, the majority of the Malays who benefitted from the 'extra cake' were those patronised by politicians, who were politically motivated and connected with the policy-making bureaucracy, which drew huge criticism from the public. The most remarkable criticism came from Gomez and Jomo (2002) who claimed that politically-motivated businesses and tycoons benefitted most from the Malays' capital share increase. This shows that the original aim of NEP



towards raising Malays' socio-economic condition was not properly managed and caused an unfair distribution of the nation's wealth. This view will be reflected in the analysis and discussion in Chapter 7 of the NEP's benefits for micro and small-sized family business entrepreneurs.

The class structure post-NEP in 1991 was studied by Shamsulbahriah (1996) who contended that this class inequality was an unheralded result of the NEP, and that the NEP appeared to be most successful at creating a sizeable Malay proletariat, although the Malay middle class has doubled since before the NEP, now representing about a third of the population. A similar scenario happened to the Chinese, who remained the largest middle-class group, considerably higher than its proportion of the national population. Notwithstanding the NEP's efforts at restructuring, ethnic divisions have definitely been maintained and reproduced in some segments of the class structure. Moreover, her study further approved of the earlier studies by Lim and Canak (1982) and Jomo (1988) in their analysis of the Malaysian state *vis-a-vis* sectors of capital. Their central thesis was that the class struggle within the dominant class has led to the manipulation of racial politics to enable them to gain legitimacy. Furthermore, they argued that the NEP framework gave rise to communal sentiments while obscuring class conflicts and the role of the state in determining inequality in terms of class structure and class formation.

### **3.6 Post-NEP (1991 onwards): Economic Progress**

Immediately after the end of the NEP, the government formulated a new development plan, which was launched through the Second Outline Perspective Plan (OPP2) covering the period 1991 to 2000. The new plan, the National Development Policy (NDP), sustained the spirit of the NEP with several additional policies to accelerate economic development. Thus, the main objectives remained similar to those of the NEP, but the ultimate aim was to organise economic activities in a way that could integrate society through poverty reduction and the equitable distribution of economic growth among the various ethnic groups as well as the regions (Malaysia, 1991a; 1991b).

The strategic thrust of NDP was to focus on eradicating poverty and restructuring the society to establish Malay workers in the modern economic sectors, especially within the commercial and

industrial community, as well as in terms of ownership control. The aims included (Malaysia 1991b): striking an optimum balance between the goals of economic growth and equity; reducing and ultimately eliminating social and economic inequalities and imbalances in the country to promote a more equitable sharing of the benefits of economic growth by all Malaysians; “promoting and strengthening national integration by reducing the wide disparities in economic development between states and between the urban and rural areas in the country; promoting human resource development including creating a productive and disciplined labour force and developing the necessary skills to meet the challenges in industrial development through a culture of merit and excellence without jeopardising the restructuring objectives; making science and technology an integral component of socio-economic planning and development, which entails building competence in strategic and knowledge-based technologies, and promoting a science and technology culture in the process of building a modern industrial economy”; and ensuring that in the pursuit of economic development adequate attention will be given to the protection of the environment and to ecology so as to maintain the long-term sustainability of the country’s development (Malaysia, 1991b).

Malaysia’s economic growth during 1990-2000 experienced a serious downturn, particularly after the 1997 Asian financial Crisis shows the serious downturn in economic growth in 1998, with a growth rate of -7.4 percent. However, the economy recorded a higher growth rate in 2000, at 8.9 percent. Thus, despite the crisis, the economy managed to achieve an average annual growth rate of 7.0 percent over the plan period (Surtahman and Ishak, 2009).

### **3.7 The New Development Path and Future Challenges**

Following the end of OPP2, the government formulated its Third Outline Perspective Plan (OPP3) which comprised the National Vision Policy (NVP) covering the period 2001-2010. The NVP was also devised to address the national mission to achieve developed nation status by 2020: the main strategies formulated under OPP3 were geared towards building on the country’s existing strengths, addressing its limitations and constraints, and helping the country to face the challenges of global competition. Appropriate measures were introduced to develop national resilience to withstand the negative impact from external shocks. To achieve this goal of strengthening the country’s economic fundamentals, the government sought to introduce a fixed exchange rate, keep the inflation rate low, ensure adequate levels of savings for investment and

maintain fiscal as well as external accounts in surplus, as well as strengthening and developing local skills and productivity levels in order to enhance national competitiveness. This was meant to transform the economy from production-based to knowledge-based, creating products which were high in local added-value (Surtahman and Ishak, 2009).

The Growth Report published in 2008 by the Commission on Growth and Development celebrated the success of Malaysia as one of only thirteen countries which had sustained successful growth for at least 25 years since 1975. The thirteen countries were diverse in terms of size and resources, and they had five common characteristics; they were Botswana, Brazil, China, Hong Kong, Indonesia, Japan, Republic of Korea, Malaysia, Malta, Oman, Singapore, Taiwan and Thailand, all of which had sustained growth of more than 7 percent over at least 25 years since 1950. The five characteristics were: openness to the global economy, in terms of exploiting global demand and importing ideas, technology and know-how; macro-economic stability by maintaining modest inflation and sustainable public finances; future orientation, exemplified by high investments and savings; using markets as a basis for resource allocation and resource mobility to facilitate creative structural transformation; and capable and credible leadership committed to growth and inclusiveness.

The Growth Report highlighted the absence of any one single growth formula. While the markets were necessary to allocate resources, this was often tempered by pragmatic governments. Therefore, economic reform was typically pursued using an experimental approach, underpinned by institutional capabilities. The Growth Report emphasised the importance of communicating a credible vision of the future and a strategy for getting there because citizens were being asked to forego consumption today in return for higher standards of living tomorrow. Of these thirteen high-growth countries, six eventually achieved high-income status (Malaysia, 2010).

### **3.8 Conclusion**

The national economic agenda is premised on growth with equity as envisaged by the NEP introduced in 1971. The policy has had a positive impact on the overall development of the nation so far, but a few issues have remained unresolved due to the increasing gap in income inequality among citizens. This issue has affected government efforts to fully achieve the two-pronged strategies of the NEP – balanced economic growth and social equity.

The income inequality that exists in the economy can affect further growth and jeopardise the government's efforts to reduce poverty. The situation is further aggravated because the income inequality has resulted in greater ethnic imbalances in the economy. One of the reasons for the problem is unequal distribution. The government must be fully aware that in the overall stability of the country, taking into consideration the prevailing economic crisis, an appropriate policy of intervention is urgently needed to prevent the problem from worsening.

The writer of this thesis is of view that although much of the literature has alleged that the British practised economic dualism, this happened as a result of the protected Malays' Reservation Land as required by the sultans, which led to the Malays continuing to live in rural areas as a peasant society criticised by Putschueary (1960), because of the backwardness of the Malays and the nature of their economic activities causing them to participate less than the Chinese in commercial and complex economic activities. Although some Chinese immigrants were low-rank mine labourers, many were merchants and had been highly educated before migrating to Malaya (Ye, 2005), there were skilled workers in the labour force required by their commercial activities, as we have seen in Tham's (1977) arguments. The British preferred the Chinese capitalist activities because the Chinese had come from an industrious and commercial community in their own country and had a high state of readiness to tap the opportunity to exploiting means of production and market distribution previously in the hands of the British. Through the economic growth during the mining and rubber production era, the British had modernised transport, especially providing infrastructures such as railways and bridges, building civil works, and improving the water supply. Also as a result of the British presence in Malaya, education had been improved with the emergence of modern Malay schools, as well as the present system of the government and its administration.

Later in this thesis, the writer will introduce case studies in Chapter 6 to explore how modern Malay family businesses use the reserved land inherited from their forefathers. The land was used to generate collateral and start-up capital for business activities, contrasting with Putschueary's (1960) comment on the use of land by peasant Malays as a 'mortgage' while waiting for the harvest. The study of family business in Malaysia must take seriously into account the historical factors of the socio-economic disparity of each ethnicity, especially the total accumulation and wealth of their business community, since that is the only source of start-

up capital. Business existence over generations will also be examined to compare between the first generation or the founder's dream with the second or third generation's special characteristics by which they sustain the businesses. As can be seen at this stage, Chinese family businesses with their clanship-linked business traditions of Confucianism rooted in the past form our proposition that the Chinese are more superior in family businesses than other ethnic groups, as discussed in sub-section 3.1 in greater detail with statistics to show how the Chinese gained economic and social advantages over other ethnicities, and the question of whether they can still remain resilient after the intervention of the government's preferential economic policy. These questions will be answered in detail in Chapter 6 using case studies of how micro-and small-sized Chinese family businesses adapted to the preferential policy. Neglecting the historical background of one ethnicity's socio-economic advancement over another will lead to inconclusive discussions, especially in the realm of ethnic and cultural differences in comparing ethnic-based family businesses, which is the aim of this thesis.

**CHAPTER 4**  
**METHODOLOGY**

**4.0 Introduction**

The objective of this chapter is to provide a rational argument for and overview of the research design in terms of choosing a research paradigm, the specific method adopted and the technique for research inquiry. There are five sections which briefly discuss the chosen research paradigm, the research design and the data processing technique using a mixed-method approach, and then the ethical considerations inherent in this study.

**4.1 Management Research Paradigms**

This section provides at least four classical dominant views of philosophical research paradigms or world-views which are the subjects of major debate in the existing social research body of literature: positivism, interpretivism, critical postmodernism and pragmatism, as shown in Table 4.1 (Creswell, 2009; Tashakkori and Teddlie, 2003; Gephart, 1995).

**Table 4.1: Management Research Paradigms, Key Points and Approaches**

Research Paradigms	Key Points	Approaches
1. Positivism and Post-Positivism	“Objective world inquiry for facts conceived in terms of specified correlations and associations among variables” (Gephart, 1995)	- Experimental and quantitative methods to testify and verify hypotheses; - Grounded Theory is used by post-positivists to examine and assess variables (Miles and Huberman, 1993)
2. Interpretivism and Constructivism	Interpretive theory involves building a second-order theory concerned with objective reality and meanings thought to be independent of people (Schutz, 1973)	- To understand social members' definition of a situation

*continue to page 139.../*

(Continued from Table 4.1; pg.138)

3. Critical Post-Modernism	Combination of two different world-views (Kincheloe and McLaren, 1994).	- Material world is both real and is produced by and through capitalist modes of production.
4. Pragmatism	Deconstructive paradigm focuses on what works in relation to the research investigation and recognises the researcher's values which play a significant role in the analysis of the findings (Tashakkori and Teddlie, 2003).  Creswell (2009) described the consequences of actions, problem centred, pluralistic and orientation towards real-world practice.	- Pragmatic researcher believes what to study and investigate are deemed to be important. - Provides the researcher with an opportunity to utilise mixed methods and model design.

Source: Gephart (1995); Miles and Huberman (1993); Schutz (1973); Schwandt (1994); Kincheloe and McLaren (1994); Tashakkori and Teddlie (2003); Cresswell (2009).

As Table 4.1 shows, research designed for experimental and quantitative studies requires a positivist research paradigm. However, recent developments on the philosophical strands have preferred the grounded-theory approach (Miles and Huberman, 1993) which stems from post-positivism. Furthermore, the interpretivist and constructivist paradigm is more concerned with objective reality and meaning, leading it to be known as 'independent of people' thinking. Finally, a combination of the two paradigm strands, critical post-modernism, known as critical theory, originated from the Marxist Frankfurt School and was based on the German tradition of philosophical and political thought, among the pioneers of which were Marx, Kant and Hegel, and which regarded capitalism as a mode of production exploiting the labour of the workforce (Kincheloe and McLaren, 1994).

In this thesis, the study will take a combination of two approaches, a technique known as 'mixed-method' research since the appeal of pragmatism is that it provides the researcher with an opportunity to apply both methods, and the model designed for the research strategy uses a philosophy which does not value one method over another on the basis of its philosophical strand (Creswell, 2009; Tashakkori and Teddlie, 2003). The use of a mixed-method approach will be explained in detail in the following section.

## **4.2 Framework for Data Collection and Analysis Techniques**

Overall, the research methodology chosen for this study corresponds to the research questions and objectives which were laid out in Chapter 1 (Section 1.4). Since the research questions and objectives have been clearly defined, the choice of an appropriate research design and method will lead to the generation of appropriate conclusions. It is worth noting the problems and limitations which can be encountered during the implementation of the research process. Research design, approach and strategy are often difficult to distinguish from one another. However, the writer has summarised the overall framework as described below.

### **4.2.1 Research Design**

Research design should be thought of as the overall structure and orientation of an investigation. Bryman and Bell (2007) offered this definition as a framework or programme for the collection, analysis and interpretation of data, and finally to provide an answer to the problem (Sekaran, 2003). There are five types of research design: quantitative research strategies and inquiry using experimental design and cross-sectional design (survey design), while qualitative research inquiry implies longitudinal, case study and comparative research (Creswell, 2009; Saunders *et al.*, 2007; Bryman and Bell, 2007).

### **4.2.2 Research Approach**

The research approach refers to the choice of methods, whether mono-method or mixed-method research approaches, as Bryman and Bell (2007) stressed:

[...] it is important to realize that mixed methods research is not intrinsically superior to mono-method or mono-strategy research. It is tempting to think that mixed-methods research is more or less inevitably superior to research that relies on a single method on the grounds that more varied findings are inevitably ‘a good thing’. Indeed, social scientists sometimes display such a view.

Thus, the use of mixed-method research is an approach intended to reduce the possibility of misinterpretation, while strengthening the data gathering and analysis processes in turn to avoid gathering misleading data in order to be able make conclusive judgments. Therefore, a combination of methods was used in this study to gather multiple data for the researcher to get a



better ‘feel’ and a deeper understanding of the respondents’ lives and the way that their stories were transmitted (Denzin and Lincoln, 2005; Tashakkori and Teddlie, 2003).

Furthermore, Tashakkori and Teddlie (2003) stated that “Mixed-methods studies are those that combine the qualitative and quantitative approaches into the research methodology of a single study or multi-phased study”. Adding to this definition, Johnson and Turner (2003) suggested that “methods should be mixed in a way that has complementary strengths and no overlapping weaknesses”. According to this fundamental principle, mixed-method data analysis was defined by Onwuegbuzie and Teddlie (2003) as “the use of quantitative and qualitative analytical techniques, either concurrently or sequentially, at some stage beginning with the data collection process, from which interpretations are made in either a parallel, an integrated, or an iterative manner”. The methodology can clearly stem from a variety of research designs (mixed methods, qualitative or quantitative).

This feature of mixed-method analysis arises from the fact that epistemology and method are not synonymous. Thus, the paradigm (the logic of justification) does not dictate what specific data collection and data analysis methods should be used by researchers. In reality, differences in epistemology between quantitative and qualitative researchers do not prevent a qualitative researcher from using procedures more typically associated with quantitative research and *vice versa* (Onwuegbuzie and Teddlie, 2003). For example, a qualitative researcher can collect numerical information, while a quantitative researcher can collect observational or interview data. Thus, this functional independence between the logic of justification and procedure implies that mixed-method data analysis techniques should not be dictated by the underlying epistemological orientation. Rather, they should stem from the research purpose (Newman *et al.*, 2003).

It has been argued that employing a mixed-method analysis offers a more comprehensive analytical technique than does either quantitative or qualitative data analyses individually. Mixed-method data analysis allows the researcher to use the strengths of both quantitative and qualitative analysis techniques so as to understand phenomena better. The ability to ‘get more out of data’ provides the opportunity to generate more meaning, thereby enhancing the quality of data interpretation (Onwuegbuzie and Teddlie, 2003).

As outlined by Greene, Caracelli and Graham (1989), mixed-method data analyses will permit the researcher to fulfill the five purposes of mixed-method evaluations, which are triangulation, complementarity, development, initiation and expansion. Creswell (2009) provides three general strategies and a variation of mixed-method research as follows:

- a) Sequential Mixed-Methods: procedures by which a researcher seeks to elaborate on or expand the findings of one method with another, such as by employing qualitative interview for exploratory purposes, then following up by quantitative survey methods in a large sample to draw generalisations from the conclusions. Alternatively, a quantitative method using survey data to attest an underlying theory or concept can then be followed by qualitative methods with detailed exploration employing a few cases or an individual case;
- b) Concurrent Methods: researchers seek to converge the methodology by merging quantitative and qualitative data for the sake of providing a comprehensive analysis of the research problem. To achieve this, the researcher collects both types of data simultaneously followed by integrating the information gained to analyse and interpret the overall outcome; and
- c) Transformative Mixed-Methods: using a theoretical lens as an important perspective within a design that contains both quantitative and qualitative data. Consequently, this lens provides the framework for the topic of interest, methods for data collection and outcomes or changes predicted by the research. A data collection method that entails a sequential or concurrent approach can be employed within this theoretical lens.

Table 4.2 illustrates the choices of inquiry which are commonly used by researchers today.

**Table 4.2: Comparison of Alternative Strategies of Inquiry which are offered by the Contemporary Methodologists**

Quantitative	Qualitative	Mixed Methods
<ul style="list-style-type: none"> <li>• Experimental designs</li> <li>• Non-experimental designs such as survey</li> </ul>	<ul style="list-style-type: none"> <li>• Narrative research</li> <li>• Phenomenological</li> <li>• Ethnographies</li> <li>• Grounded theories</li> <li>• Case study</li> </ul>	<ul style="list-style-type: none"> <li>• Sequential (either quantitative as main data, followed by qualitative as complementary data or <i>vice versa</i>)</li> <li>• Concurrent</li> <li>• Transformative</li> </ul>

Source: adopted and adapted from Creswell (2009); Denzin and Lincoln (2005); Tashakkori and Teddlie (2003).

For the purpose of this current study, the sequential mixed-method approach seems appropriate, using quantitative survey data to provide the measurement of key characteristics among variables and qualitative data collection as a complementary explanation of the earlier method.

Apart from that, research approach also involves theoretical inquiries of either induction or deduction to establish what is true or false, and to draw conclusions, with the former entailing empirical evidence obtained by observing particular phenomena or by empirical observation, and on this basis the conclusion will be drawn by establishing a logical assumption and a general proposition based on the observed facts, while the latter is on a logical basis through a process by which a reasoned conclusion is drawn by logical reasoning and the generalisation of known facts, which usually begins with creating a theoretical framework, formulating hypotheses and logically deducing from the results of the study, a technique which is commonly known as the hypothetico-deductive approach (Sekaran, 2003; Ghauri *et al.*, 1995).

### 4.2.3 Research Strategy and Research Method

A research strategy is either quantitative or qualitative, and the use of either approach on its own is ‘mono-method’ research, while combining the two methods is the ‘mixed-method’ approach. Research method refers to data collection which normally involves either a self-administered questionnaire survey delivered through a personal approach by the researcher or a postal survey

which is sent to respondents with a stamped return envelope, and the questionnaire is kept as brief as possible. The drawback of mailed questionnaires is that response is usually low, a 30 percent response rate is considered acceptable, and there should be no doubts or ambiguousness in the questionnaire items which might cause the responses to be unclear. Among other methods than a postal questionnaire are structured interviews, structured observation, simulation and archival sources of data (Sekaran, 2003). Table 4.3 shows a simplified explanation of research design and research methods and their respective approaches.

**Table 4.3 Types of Research Design, Research Methods, and Research Strategy and Approach**

Research Design	Research Methods	Research Strategy & Approach
Experimental Cross-sectional Longitudinal Case study Comparative Action research	Self-administered questionnaire Structured interview Participant observation Unstructured interview Structured observation Simulation Archival sources of data	- Quantitative; or Quantitative; or Mixed-Method (a combination of both)  - Induction; or Deduction

Source: adapted from Creswell (2009); Saunders *et al.* (2007); Bryman and Bell (2007); Denzin and Lincoln (2005); Tashakkori and Teddlie, (2003); Sekaran (2003).

However, the case-study approach overlaps with other research designs. Some researchers treat qualitative research and case study as synonymous, but in practice the case-study technique is usually narrowed to one or a few subjects, or involves multiple case studies. The focus is usually on both qualitative and quantitative data, and the approach tends to be in-depth and comprehensive. The design is considered by many writers as relevant to understanding specific particular areas and building theoretical insight (Yin, 2009; Creswell, 2009; Bryman, 2007).

### 4.3 The Research Methodology Chosen for this Study

This thesis is a study of family business survival as a result of embedded family business culture and entrepreneurial orientation. The research takes pragmatism as the management research paradigm for the approach, strategy, design and methods of the research, as clearly explained in Table 4.4.

**Table 4.4: Choice of Research Methodology**

<b>Research Approach</b>	<b>Research Strategy</b>	<b>Research Design</b>	<b>Research Method</b>
Mixed Methods	Quantitative	Survey (Cross-Sectional) and Comparative Studies	Postal Questionnaire
and Induction	Qualitative	Multiple Case (in-depth Interview) and Comparative Studies	Semi-structured in-depth Interview

Source: Adapted from Bryman and Bell (2007); Creswell (2009); Tashakkori and Teddlie, 2003; Sekaran (2003)

The writer decided to use the mixed-method and induction approach, combining quantitative and qualitative research. This thesis explores the effect of cross-culture in the study of family businesses by attempting to differentiate between the family business cultures of two major ethnicities in Malaysia, the Malays and the Malaysian Chinese, in micro- and small-sized enterprises. Since a study of culture involves abstract concepts and is embedded in ‘mental programming’ (Hofstede, 1980), the choice of a mixed-method strategy is the most preferable to achieve in-depth results because, as Patton (2002) stated, “We interview people to find out from them those things we cannot directly observe”. Moreover, using the mixed-method approach will achieve the benefits of the quantitative strategy and the qualitative multiple case studies and will add a ‘comparative’ element to the research design. Postal questionnaires will be used and will be sent with a stamped, self-addressed return envelope to facilitate respondents answering the questionnaire. Semi-structured in-depth interviews with the respondents will also be used. The following sections will present details of the sampling technique and location, measurement development, unit and data analysis, as well as the limitations inherent in this study in approaching the respondents. The reason for using a questionnaire survey is to acquire the pattern and characteristics of Malay family businesses from those who own and manage the business.

Thus, in this thesis, the questionnaire survey is used only for the Malay family businesses and the in-depth interviews for the Malay and Chinese family business owner-cum-managers. The reason why the survey sampling could not be extended to Chinese family businesses is because of

restrictions imposed by the ethical committee review in January 2010 (*see* Section: 4.10, Ethical Committee approval for details) before embarking on the field work, but the data on Chinese family business is sufficient if it is drawn from interviews since the bulk of the literature covers Chinese family businesses. The reviewers of ethical committees' board were in view that the over-accessed to the data during fieldwork can be categorised as 'unethical'.

#### **4.4 Research Design: Sampling Design, Location, Unit of Analysis and Data Analysis**

Research design involves the use of sampling techniques for data collection which allow the researcher to save time and money, but derive from a significant proportion of samples which represent the entire population of the subject of research. A 'population' refers to all the cases, even though a researcher is usually unable to reach the whole population within the time frame available. Sampling problems may derive from three reasons: the definition of the population; the size of the sample; and the representativeness of the sample. In the case of a survey, as long as a reliable database is used, the sample will represent the target population, making it possible to generalise the results and outcome of study (Bryman and Bell, 2007; Creswell, 2009). Table 4.5 summarizes the research design, showing the measurement method, the location for to be collected the data and the technique of data analysis.

**Table 4.5: Research Design: Sampling Design, Location, Unit of Analysis and Data Analysis**

Sampling Designs	Measurement	Location	Unit of Analysis	Data Analysis
Survey by a simple random postal method	Questionnaire (details in sub-section 5.4.2)	<i>Klang Valley</i> or 'Greater	Firm Level (owner/manager of firm)	SPSS version 17.0
In-depth interview of purposive sampling	Semi-structured interview (details in sub-section 5.4.1)	Kuala Lumpur', Malaysia		Nvivo version 8.0 and Thematic Analyses

Source: Author's database adapted from Bryman and Bell (2007); Creswell (2009); Tashakkori and Teddlie, 2003; Sekaran (2003).

The details of each element of the research design shown in Table 4.5 are explained in the following sub-sections.

#### **4.4.1 Sampling Design: Survey and In-depth Interview**

The survey and in-depth interviews were carried out over four months from February 2010 to June 2010 when the researcher was given an allocation by the research sponsor which included the return air-fare to Malaysia to carry out the fieldwork. The researcher faced challenges over completing the fieldwork because of the limitations of time and money available and the respondents' feedback. It should be noted that carrying out a survey in the area of business research in Malaysia usually receives negative responses and feedback from respondents because they believe that the researcher may be from a business competitor or may be a tax agent sent by the government. This happens particularly during cross-culture research among Malaysian businesses, and happened to Chow (2004) in a study of small- and medium-sized businesses in the *Klang Valley* when he approached 310 samples of Chinese entrepreneurs. It is therefore evident that when approaching macro- and small-sized businesses, prejudice is not only confined to between researchers/enumerators and business owners in terms of ethnic differences between themselves, but also within ethnicities. However, a letter of recommendation from the University

and from the official agency helped a great deal in facilitating the research process (*see*: Appendix II). The researcher conducted interviews between February and March 2010 with twenty respondents, ten of them who are family business operators and have been in the business for at least seven years and knowledgeable about running family businesses including two of them were already exit from the family business ventures, while the other ten were non-entrepreneurs consist of two experts in the area of family business and ethnicities in Malaysia, two politicians from the ruling and opposition parties, two government policy makers and four bankers, including both commercial and government bankers and this was followed by a postal survey carried out between April 2010 and June 2010. The researcher started the field work with the interviews in order to get a 'feel' of what happened on the ground, and at the same time to serve as a pilot study for the survey, which helped the researcher to formulate appropriate measurement of the survey instrument. Thus, the researcher applied sequential methods within the mixed-method strategy. All the entrepreneurs running family businesses involved in this survey and the interviews had been operating their business for at least three years, since three-year operation is the demarcation point for entrepreneurs successfully exceeding short-term survival for a firm in which they have to declare the average growth of employees and sales from 2007 to 2009 in the questionnaire survey. Since the study is about the long-term survival of family businesses, most of the interview participants had more than five years of business operations, so it was deemed appropriate to measure their long-term survival characteristics. Of the survey respondents, 54.4 percent had been in business for more than five years while the remaining 45.6 percent had less than five years but more than three years. The findings will be discussed in detail in Chapter 5 (Study 1) and Chapter 6 (Study 2) respectively.

#### **4.4.2 Questionnaire Survey**

The sampling design for this study can be divided into two types; a simple random survey using a questionnaire, and an in-depth, semi-structured, face-to-face interview. It has been suggested that for carrying out research quantitatively, sample sizes ranging from 30 to 500 could be effective depending on the research questions examined and the type of sampling design used. Roscoe (1975) provided the following rules of thumb for determining sampling size. First, the appropriate sampling size is between 30 and 500 for most research studies; second, if the samples are to be broken into sub-samples (for example, by gender), a minimum sample size of



30 for each category is necessary; third, in multivariate research (such as multiple regression analyses), the sample size should be several times (preferably ten times or more) larger than the number of variables in the study; fourth, in the event of a simple research experiment carried out with tight control (matched pairs), successful research is possible with as few as ten to twenty samples. A sampling frame consisting of 500 individuals was targeted in the current study. This large sample size was based on the work of Sekaran (2003) in determining a sample size for a given population size.

#### **4.4.2.1 Sample Size and Database**

The Directory of Indigenous People's Trust Council (MARA) Entrepreneurs 2010, in which all the macro- and small-sized Malay entrepreneurs have been recorded since 1980, was used as a source. Although many Malay business associations in Malaysia have a considerable number of databases registering micro- and small-sized businesses, MARA's database was chosen since it is considered as the anchor of the Malay business agency and, as discussed in Chapter 3, MARA was historically established before independence in 1957, and was known as RIDA before changing to MARA after independence. The criterion for the inclusion of entrepreneurs in the MARA database is that they should have used at least one of the services provided by MARA to register themselves in the database, for example, by attending a course or seminar organised by MARA, by having received a loan or grant for start-up capital or for expanding their business, or by having received capital assistance to buy equipment such as machinery. In sum, all the respondents on the database have benefited from the NEP in micro- and small-sized businesses.

The total population size of the present study is the 3,539 addresses provided in the database, so the suggested sample size for this study would be 384 respondents. However, 500 respondents were selected by a random sampling technique from the directory since the researcher was told by a MARA official that the most reliable addresses on the database which are still active businesses is only about 50 percent of the total, at 1,769 addresses, so the questionnaire survey was sent by post to 500 addresses using simple random technique with a stamped, self-addressed return envelope. The reliability of the database in terms of the existence of firms or whether they have already shut down is quite challenging, since no efforts have been made to edit the database or to carry out data cleaning. The method of using a postal questionnaire was considered

appropriate since the respondents are business owners and would be able to complete the survey in their free time.

Even though the suggested sample size for a population that is larger than a million is 384 respondents (Sekaran 2003), the researcher aimed to target at least 500 respondents following suggestions made by Sudman (1983) and Roscoe (1975). Sudman (1983) insisted that the appropriate size for an attitudinal study is between 400 and 1000 respondents. Roscoe (1975) further stressed that to operationalise a research project, the appropriate sample size for a study is in the range of 30 to 500 respondents, as discussed above. In addition, the targeted sample size of 500 respondents is in line with the suggestion made by Malhotra (1999) who explained that for a sub-group analysis as in the case of this study, in which Malay family businesses are to be divided into micro- and small-sized sub-groups, it is necessary to have a large sample size of 500 respondents.

#### **4.4.3 In-depth Interviews**

It has been proposed that qualitative studies should usually employ small sample sizes because of their intensive nature. If qualitative studies are undertaken for exploratory purposes, it has been suggested that the preferred sampling design is convenience sampling. Eisenhardt (1989) contended that “While there is no ideal number of cases, a number between four and ten cases often works well. With fewer than four cases, it is often difficult to generate theory with much complexity, and its empirical grounding is unlikely to be convincing”.

Research methodologists have reached a general consensus concerning qualitative studies in which they stress that the sampling selection should be made by purposive sampling as opposed to random sampling (Ritchie *et al.*, 2003; Denzin and Lincoln, 2003; Eisenhardt, 1989). Purposive sampling entails selecting a sample of people who are most readily and conveniently available from the specific target group to participate in the study by providing information during an in-depth interview which answers the research question of the study. Other terminology is used for non-probability purposive sampling such as ‘judgmental sampling’ (Sekaran, 2003; Sarantakos, 1997), which is derived from the non-probability sampling technique in which sampling units are selected on the basis of the researcher’s judgment that they are capable of focusing on the key themes and engaging in in-depth data gathering; this may

sometimes be the best sampling choice, especially when there is a limited population to supply the needed information. Another technique of purposive sampling is known as ‘quota sampling’, which is a form of proportionate stratified sampling for which subjects are selected non-randomly but to ensure that all sub-groups in the population are adequately represented in the sample, but the final result is not generalizable to the whole population (Sekaran, 2003).

#### **4.4.4 Unit of Analysis**

Unit of analysis in this research refers to the level of combined data collection during the subsequent data analysis stage (Sekaran, 2003). This is a study of micro-sized family owned/managed businesses with less than five full-time working employees (the definition of micro-sized in Malaysian enterprises) as well as small-sized family business with more than five full-time employees, so the unit of analysis will be at the organisation or firm level, the family business itself. The owner or manager of the firm as an entrepreneur who is handling the day-to-day operation is the best person to be approached. Previous researches on family business survival in terms of entrepreneurship have tended to neglect the ‘family’ as a new level unit of analysis instead of the usual one being the ‘firm’, and the studies on risk taking by Naldi *et al* (2007), innovativeness by Craig and Moores (2006), proactiveness by Daily and Dollinger (1992), aggressiveness by Zellweger and Sieger (2010) and autonomy by Donckels and Frohlich (1991), ultimately drew an inconclusive picture about the intensity and form of entrepreneurship in family firm.

Therefore Zellweger *et al.* (2012) suggested used the ‘family’ as the unit of analysis for studying family businesses for three major reasons; first, since family represents a defining element of any family enterprise and can be seen as the ‘ownership (stakeholder) category’ unique to this type of entity whereby the involvement of this owner instils the enterprise with key family elements such as loyalty, emotional attachment among actors, and family identification with the business, thus many behavioural requirements of family firms critical to survival cannot be understood without the inclusion of the family element; second, families who run enterprises often face management challenges from the paradoxes that stem from the overlapping between family and business systems and the need to acknowledge the combined logic to accommodate often opposing forces in the context of a family enterprise; and third, exploring the ‘family-level’ of analysis is further justified if the members of a family enterprise are active in the

ownership and management of multiple businesses. The oversimplification in most family business long-term survival research by assuming that such family businesses consist solely of a single business entity has neglected the possibilities of such firms demonstrating family-level entrepreneurial activities such as branching out new family firms or acquiring multiple firms in a portfolio, or activities under the same family-ownership control.

The calls for a 'family-level' instead of a 'firm-level' unit of analysis (Zellweger *et al.*, 2012; Nordqvist and Melin, 2010) when investigating family firms and their long-term survival, which is termed by Zellweger *et al.* (2012) as 'Family Entrepreneurial Orientation' (FEO), seem appropriate for studying a single case of a medium- to large-scale family business in which interview or survey can be conducted across family members who own the business as stakeholders and are actively involved in the family business activities. However, for the purpose of this current research, since the writer's fieldwork was conducted in 2010 and therefore preceded Zellweger *et al.*'s (2012) proposal for the family as the unit of analysis instead of the firm, it is unlikely to apply in this study of micro- to small-sized family businesses whose owners are either a single founder or a second generation successor acting as the 'sole-proprietor' of such a family business entity, so using 'firm-level' as the unit of analysis by interviewing the owner-cum-manager seems as appropriate as it did to the earlier researchers such as Naldi *et al.* (2007), Craig and Moores (2006) and Daily and Dollinger (1992). Furthermore, this current research involves multiple cases of family businesses, so only a limited time frame is available to approach only the owner-cum-managers of such firms to study the process of their daily entrepreneurial activities, instead of approaching fellow workers of kinship or clanship or extended family members in the firm if we were to follow the 'firm-level' unit of analysis.

#### **4.4.5 Location**

The location for the data collection was determined within the *Klang Valley* or Greater Kuala Lumpur, where the capital city of Malaysia, Kuala Lumpur, is located and which is the fastest growing region in Malaysia economically due to its close proximity to the capital city. Major successful family businesses are located within this vicinity because of its sufficient infrastructure and business linkages. According to Census of Distributive Trade in 2009, *Klang Valley* or Greater Kuala Lumpur, which comprises two states, Kuala Lumpur and Selangor, was

the highest contributor in terms of national revenue, contributing RM 106 (GBP 21.2) billion or 54.8 percent, which is more than half of the total national distributive trade (DoS, 2009). Malaysia's Department of Statistics defines distributive trade as encompassing the wholesale trade, retail trade and motor vehicles sub-sectors. These activities are major areas for micro- and small-sized business firms.

#### **4.4.6 Measurement**

As this is an exploratory study across two ethnicities, Malay and Chinese family-owned micro and small family businesses, and since little is known about the subject and this study is considered to be the first extensive study carried out in Malaysia, the researcher used a sequential mixed-method research technique beginning with in-depth interviews to get an overall view of the subject from relevant participants as depicted in Table 4.5, followed by a postal questionnaire survey, as suggested by Yin (2009). The survey instrument was provided bilingually in both Malay and English in order to reduce language barriers among the respondents. The original English version was translated precisely and carefully by interpreters from University Putra Malaysia in Selangor, who work as teachers of English language and literature in the University and who are also translators of the government's published reports and corporate annual reports. The interview transcripts were also treated bilingually. The researcher made a first-stage translation in order to clarify the context of the conversations and to determine that their reliability and validity was sufficiently high before passing them to proofreaders for checking. Upon receiving all the completed translations of the transcripts, the researcher reviewed them back to the original flow of conversation in order to align them with the context of the questions.

##### **4.4.6.1 In-depth Interview**

The qualitative instrument was designed as a guideline for the semi-structured interviews and was modified from Danes *et al.* (2008). Interviews with the owners cum the managers of family businesses, experts in the fields, owners cum managers who have closed down their businesses were approached. Among others who were also included during the interview were the policy implementers, financial institutions and law-makers (state legislators). Table 4.6 gives a summary of the development of the instrument.

**Table 4.6: Development of Instrument for In-Depth Interview**

<b>Questionnaire Development: Guidelines for an In-depth Semi-Structured Interview</b>	<b>Intended Information</b>
<p><b>Interview with Expert in Family Business = 2 Respondents (Malay and Chinese respectively)</b></p> <ol style="list-style-type: none"> <li>1. Your view about definition of family business within Malaysian context?</li> <li>2. What is the business mentality of the Malays/Chinese?</li> <li>3. Is there any difference in the family business before and after the New Economic Policy?</li> <li>4. Do you think the New Economic Policy is the trigger event that started the Malays to get involved in business?</li> <li>5. How can the Malays/Chinese family businesses survive indefinitely?</li> <li>6. Is it true that the way the Chinese train their children in business is different from the Malays which can ensure the survival of the family business ?</li> <li>7. What are the present young Malay/Chinese generation interests in business?</li> <li>8. Is it because of Confucianism beliefs among the Chinese that enable their family business to survive better than the Malays?</li> </ol>	<p>To explore previous situation historically and current situation of the Malays and Chinese family businesses which is in line with the aim and research objectives.</p>
<p><b>Interview with owner cum manager of family businesses = 4 respondents of Malays and Chinese family businesses respectively.</b></p> <ol style="list-style-type: none"> <li>1. Who is considered a member of the family and a member of the business? How do you define family business ownership? What is the motivation behind your family business?</li> </ol>	<p>To investigate the definition of family businesses among the owner cum managers</p>
<ol style="list-style-type: none"> <li>2. Who in the family might take a guiding or teaching role in business matters</li> </ol>	<p>To identify the paternalistic role in the family business</p>

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(Continued from Table 4.5; pg.154)

<p>3. Who are the core family members and relationships for the business? (for example, husband/wife, father/son)</p>	<p>To identify the backbone of the family business whether siblings, kinships or extended families.</p>
<p>4. Who makes decisions in times of crisis or high demand?</p>	<p>To identify the key person in deciding a firm's strategic planning and implementation</p>
<p>5. What are the goals of the family business? Survival or happiness?</p>	<p>To identify differences between survival and happiness</p>
<p>6. What does it mean to be successful in family business? Do you think your family business is successful now? In what aspects? Why not successful? How important is your family business's survival</p>	<p>Success definition and characteristics of family business</p>
<p>7. In order to achieve family business survival, can you say which values are more emphasised?</p>	<p>To identify the values for sustaining long-term survival in the family business.</p>
<p><b>State Legislators = 2 Respondents</b></p> <p>1. Do you think that the special fund and assistance for the Malays (<i>Bumiputera</i>) should be continued after NEP ended in 1990? ;</p> <p>2. How about non-<i>Bumiputera</i>'s business funds? Do you think government should allocate more for them or the non-<i>Bumiputera</i> have more alternative to borrow from their Chinese business association?;</p> <p>3. Did you hear about family businesses? What do you think that family business should get government funds on its form as a 'family buisness?;</p> <p>4. In your opinion, how could a family business can sustain long-term more than one-generation?</p>	<p>To identify government and policy makers awereness towards the existence of family businesses and to formulate special policy for them for more sustainable family businesses (long-term survival).</p>

continue to page 156.../

(Continued from Table 4.6; pg. 155)

<p><b>Financial Institution (Commercial and Government Agency) = <u>4 Respondents</u></b></p> <ol style="list-style-type: none"> <li>1. What type of loans provided by your bank to assist small family businesses?</li> <li>2. By definition, what is a family business in your bank's definition?</li> <li>3. How does the commercial bank help funding for early start-up of small family business?</li> <li>4. How about rate of successful applicant and rate of successful business of loaners among family business start-up?</li> <li>5. What are the reasons of failure among Malays family businesses?</li> <li>6. Why Chinese FB success? Business Networking</li> <li>7. In your view, what is the 'best package' for the Malays to be successful in family business?</li> </ol>	<p>To identify financial assistance provided, barriers and challenges the family business owners face to survive long-term in family business.</p>
<p><b>Policy Implementers = <u>2 Respondents</u></b></p> <ol style="list-style-type: none"> <li>1. In your view, what do you think of government policy in helping Malay small family businesses?</li> <li>2. What are the reasons behind their success?</li> <li>3. What are the areas of the policy could be improved?</li> </ol>	<p>To identify policy implementation in which can improve and impede their survival and success in family business.</p>
<p><b>Exit of family business (Malay and Chinese family business owners) = <u>2 Respondents</u></b></p> <ol style="list-style-type: none"> <li>1. When did you venture into small family business and why?</li> <li>2. What a different being an employee and being an owner?</li> <li>3. Did you describe your business venture and as shop owner was successful?</li> <li>4. If so, why your business did not succeed to your children?</li> <li>5. Do you think and hope that one day any of your children will open up their business after being a waged-earner?</li> </ol>	<p>To identify factors and tendency towards the closure and exit them from continuing family businesses.</p>

Source: Author's database (n=20 interviewees' respondents)

Table 4.6 considered as semi-structured interview in which will serve as guideline to ensure the smooth process of interviewing. Moreover it is a part of 'informed consent' to be disseminated to



interviewees on range of questions that they are supposed to answer. However, in reality during the interview, many of the interviewees were not only confined to the questions posed by the researcher but usually go beyond that since the mutual-trust between researcher and interviewees has been developed.

#### **4.4.6.2 Survey**

The theory of the three-circle model of family business was developed by Gersick *et al.* (1997) and describes a family business system as having three independent but overlapping subsystems; business, ownership and family, but they did not offer any instruments to attest the overlapping model. Moreover, Gersick (1992) suggested that certain ethnic groups increase their chances of survival in family business simply because of their group's greater reliance on extended family and contacts within their community, as in the case of Chinese family businesses. However, despite the drawback of the Gersick *et al.*'s (1997) model, since no instrument or questionnaire has been developed to explore the theory, the current writer has adapted the F-PEC scale model developed by Klein *et al.* (2005) for the first eighteen questions. The survey comprised thirty eight questionnaires in which consists of three parts: 'Part A' from Q1 to Q13 explores the profile of the family business, followed by the 5-point Likert's scales quantitative sections that are in 'Part B' (Culture of Family Business), with five questions from Q14 to Q18 modified from Klein *et al.* (2005) covering 'The Culture Sub-Scale', followed by five questions from Q19 to Q23 exploring the 'Paternalistic Style' or 'Power' dimension, modified from Aycan *et al.* (2000), and Q24 to Q30 on Uncertainty Avoidance (UA) developed by Hofstede (1980). 'Part C' follows, consisting of eight questions from Q31 to Q38 exploring the 'Entrepreneurial Orientation Scale' which has been modified from Miller (1983), Covin and Slevin (1991; 1989), and Naman and Slevin (1993). The questionnaire survey was attached in Appendix III. Table 4.7 illustrates the development of the survey instrument.

**Table 4.7: A Summary of the Development of the Survey Instrument**

Thirty Eight Questionnaire Items	Likert-Scale / Intended Information
<b>Part A (Q1- Q13): Family Business Profile</b> Source: adapted from Klein <i>et al.</i> (2005)	
1. Status of Business Registration	Five Choices of answer
2. Number of Years in Operation of Current Set-up	Nine Choices of answer
3. Nature of Business (Sector of Industry)	Five Choices of answer
4. Does your business indirectly involve family members	Yes/No [If 'yes' proceed to the following question, if 'no' please return to the form].
5. Percentage of Family Ownership	Three Choices of answer
6. Owned and managed, owned but not managed, managed but not owned	Three Choices of answer
7. Manager's Educational Level	Five Choices of answer
8. Manager's Gender	Two Choices of answer
9. Growth in Number of Employees	Three consecutive years of employee growth in 2007, 2008, and 2009
10. Annual Sales Turnover	Three consecutive years of sales growth in 2007, 2008, and 2009, and range of sales turnover for each year.
11. Have you failed in business before?	Yes/No
12. What are your <b>main challenges</b> in order for your family business to continue to survive? Please answer by <b>giving the rank 1, 2, 3, 4, 5 or 6</b>	Capital Turnover; Credit Facilities; Strategic Business Location; Competitive Business Environment; Skilled-workers; Raw Material Supplies

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(Continued from Table 4.7; pg. 158)

13. In your view, why does your existing family business survive?	Qualitative views to comments
<b>‘Part B’ (Q14-Q18): Culture of Family Business adapted from Klein <i>et al.</i> (2005); Q19-Q23 on Paternalism adapted from Aycan <i>et al.</i> (2000); and Q24-Q30 on Uncertainty Avoidance developed by Hofstede (1980)</b>	1= strongly disagree; 2= disagree; 3= neutral; 4= agree; 5= strongly agree
14. Family members (FM) support discussion with friends and other family members.	
15. FMs are proud to tell others that ‘we are part of the family business’.	
16. FMs agree with the family business goals, plans, and policies.	
17. FMs really care about the fate of the family business.	
18. Deciding to be involved with the family business has a positive influence on my life.	
19. The ideal owner/manager is like a parent.	1= strongly disagree; 2= disagree; 3= neutral; 4= agree; 5= strongly agree
20. Owner/Managers know best what is good for their subordinates.	
21. Owner/Managers should provide fatherly advice and directions to their subordinates.	1= strongly disagree; 2= disagree; 3= neutral; 4= agree; 5= strongly agree
22. People in authority should take care of their employees/subordinates as they would take care of their children	
23. The experience and wisdom of owner/managers are the best guidelines for employees/subordinates	
24. What is different is dangerous	
25. Humans are able to determine the course of their lives. [ Negative Coding]	1= strongly disagree; 2= disagree; 3= neutral; 4= agree; 5= strongly agree
26. Rules are made to be broken. [ Negative Coding]	
27. It is better to live day by day, instead of worrying about the future. [Negative Coding]	

*continue to page 160.../*

(Continued from Table 4.7; pg. 159)

28. An organisation should be run according to standard operating procedures.	1= strongly disagree; 2= disagree; 3= neutral; 4= agree; 5= strongly agree
29. Changes in the environment are bad for the business	
30. It is fine to make mistakes	
<b>Part C: Entrepreneurial Orientation from Q31-Q38</b> Miller (1983), Covin and Slevin (1991 and 1989); Naman and Slevin (1993).	
31. In dealing with competitors, my firm often leads the competition, initiating actions to which our competitors have to respond.	
32. In dealing with competitors, my firm typically, adopts a very competitive posture aimed at overtaking the competition	
33. In general, the top managers (decision makers) of my firm have a strong propensity for high-risk projects (with chances of very high return).	
34. The top managers (decision makers) believe, owing to the nature of the environment, that bold, wide-ranging acts are necessary to achieve the firm's objectives	
35. When there is uncertainty, our organization typically adopts a 'wait-and-see' posture in order to minimize the probability of making costly decisions.	
36. Management actively responds to the adoption of new ways of doing things by our main competitors.	
37. In our family business, we are willing to try new ways of doing things and seek unusual, novel solutions.	
38. Behave in original and novel ways.	

Source: Author's Database

Table 4.7 summarised the set of questionnaires developed for this survey purposes. All the questionnaires were developed according to the validated questionnaire of most cited journals, thus the possibility of having high reliability (consistency) during reliability test was predicted.

#### 4.4.7 Reliability and Validity

The reliability of empirical measurement is indicated by the internal consistency, which can be estimated by using a reliability coefficient such as Cronbach's alpha (Sekaran, 2003). According to Nunally (1978), typically a reliability coefficient of 0.7 or higher is considered to be adequate. The higher the coefficient value the better the measurement instrument, thus the higher the degree of reliability.

Validity is the degree to which a measure accurately represents what it is supposed to measure; it is the ability of a scale to measure the intended concept (Sekaran, 2003). Content validity ensures that the measure includes an adequate and representative set of items which entail the concept. Thus, content validity is a function of how well the dimensions and elements of a concept have been delineated. Table 4.8 depicts types of validity and their descriptions to summarise this discussion.

**Table 4.8: Types of Validity**

<b>Validity</b>	<b>Description</b>
Content validity	Measures the concept accurately
Face validity	A basic and minimum index of content validity. Experts validate the instrument that measures the intended concept.
Criterion-related validity	An instrument to differentiate and predict each criterion variable
Concurrent validity	An instrument to differentiate and predict a criterion variable currently
Predictive validity	An instrument to differentiate and predict a future criterion
Construct validity	An instrument to tap the concept as theorized
Convergent validity	Two instruments measuring the concept correlate highly
Discriminant validity	An instrument correlates lowly with a variable supposedly unrelated to this variable

Source: adopted and adapted from Sekaran (2003)

Gibbs (2007) defines qualitative validity as the researcher validating the accuracy of the findings by employing a specific procedure, while qualitative reliability indicates the consistency of a researcher's approach across different researchers and different projects. In addition, Yin (2009) suggests that qualitative researchers need to document the procedures of their case study and to document as many steps as possible in terms of procedures, protocols and data base.

#### **4.4.8 Data Analysis**

Since this study used a mixed-method approach, the researcher has had to be very careful in carrying analysis using two appropriate types of software, SPSS 17.0 for quantitative data analysis of the responses to the questionnaire survey and Nvivo 8.0 data analysis for qualitative data analysis of the in-depth interviews. Details of each type of analysis will be discussed in Chapters 5 and 6.

##### **4.4.8.1 SPSS 17.0 Software: Study 1 of Quantitative Data**

The quantitative data analysis used SPSS 17.0 software in order to assess and analyse the aggregate data using descriptive and inferential statistical analysis. Reliability analysis was used to identify whether the questionnaire really measured what it was supposed to measure. The Kolmogorov-Smirnov test of normality was carried out to determine whether the data were normal or not. If it is not normal, the data arrays would have to be analysed using non-parametric methods rather than the more usual parametric methods.

##### **4.4.8.2 Nvivo 8.0 Software and Thematic Analysis: Study 2 of Qualitative Data**

In this thesis, the data acquired from the in-depth interviews was analysed using the Nvivo 8.0 software package to inductively generate definitional categories and explore aspects of their inter-relationships (Johnson *et al.*, 2007). However, the Nvivo 8.0 software does not generate codes but it is a method for identifying, classifying, analysing and reporting patterns (themes) within the data, which is known as thematic analysis. The researcher has to interpret the data for himself, since the processing of qualitative data is rather iterative, with the software helping to refine the interpretation through ideas, concepts and categories of classification which are then used to re-interpret the data and in turn to refine the overarching themes.

#### **4.5 Ethical Consideration**

There is a need to address ethical considerations when undertaking research, especially when human beings are involved as participants in the process of data collection and data analysis. The University of York has a Humanities and Social Sciences Ethics Committee (HSSEC) to review student applications for fieldwork and to give guidance on the proper ways to carry out research. This current research utilises the briefing sheets required by the Committee to obtain ‘informed consent’ by briefing the participants about whether to agree or not to agree to participate in an

interview. A participant's absolute right to withdraw from an interview at any time and any stage must be made clear and must be respected. The confidentiality of the data as well as of any tape recordings made must be ensured by being appropriately encrypted. The extract of HSSEC Ethical Committee's application form and 'informed consent' form for use when conducting interviews are attached as Appendix IV and Appendix V accordingly.

#### **4.6 Conclusion**

This chapter has addressed the different techniques and methods used in research inquiry. The choice of research methods for this current study was determined by the research questions described in Chapter 1 as well as the 'exploratory' nature of this research. It has also discussed the research design and instruments with regard to characteristics found in previous literatures. Moreover, this chapter has reviewed the methodological issues relevant to the themes of this research. In searching for an appropriate paradigm and research methodology, the pragmatic paradigm was identified as appropriate for the research approaches and methods selected. The use of a mixed-method technique seemed suitable for thoroughly scrutinizing the research issue by two complementary study methods, study one will use a questionnaire survey with only Malay family businesses, and study two will employ a qualitative research approach with the intention of acquiring a great amount of detailed data about an individual business entity and how it conducts its daily operations among the Malays and Chinese family businesses. This chapter has also discussed the need for ethical procedures to ensure that all respondents remain anonymous and to obtain their informed consent by ensuring that they know and understand their right during the interview process.

## CHAPTER 5

### STUDY 1: QUANTITATIVE RESEARCH FINDINGS

#### 5.0 Introduction

This chapter presents the main findings from the quantitative data of questionnaire surveys acquired during the fieldwork carried out in the Klang Valley between April and June 2010. The data were analysed using the Statistical Package for Social Science (SPSS) software version 17 because it is a computer programme that provides tools for aggregated statistical analysis, data management and presentation and which also enables multi-tasking on bivariate and multivariate data analysis. It presents two types data analyses of main findings, namely descriptive statistics as in section 5.2, and inferential statistics as presented in section 5.4. The former implies frequency, percentage, and average or mean, while the latter are used to determine whether there are significant differences between variables when comparing mean variables of main findings. Prior to that, questionnaire survey's validity, reliability and normality were also discussed.

This chapter is divided into eleven main sections which will contain discussions about the questionnaire and sample size, the respondents' individual profiles, and the reliability and normality of measurements, as well as descriptive and inferential statistics. This chapter addresses study 1 in order to try to answer the first of the three research questions, which is repeated below. More conclusive findings will be discussed in Chapter 7, which will synthesise all the main findings from the two studies reported in Chapter 5 and Chapter 6 respectively. This current chapter addresses the following research question:

How does micro- and small-sized Malay family business (MFB) culture affect a firm's long-term survival?

This research question seeks to fulfil the aim and objective of this study by exploring empirically within the Malay family business culture the set of peculiar characteristics and dynamics of long-term family business survival.



## **5.1 Validity, Reliability and Normality of Measurement**

Validity of measurement can be described as indicating whether the question has measured what it is supposed to measure in the intended study. Furthermore, it can be differentiated into two components: ‘internal validity’, which is the ability of the researcher to draw clear conclusions from the data generated, and ‘external validity’, which is the researcher’s ability to produce correct deductions from the sampling data and apply them to other settings, people and contexts (Creswell, 2009; Gomm, 2000). Reliability is one of the requirements for validity, as it indicates the capability of the instrument to produce the same result if applied again after the first study has been completed, or in other words, the ‘repeatability’ or ‘consistency’ of an experiment or research process (Saunders *et al.*, 2009; Gomm, 2000). Normality is one of the pre-requisites for many inferential statistical techniques. There are a number of ways to explore this: histogram, stem-and-leaf plot, boxplot, normal probability plot, Kolmogorov-Smirnov statistical test, as well as tests for skewness and kurtosis. Normality is attributed by normal distribution or normally distributed variables, as well as being an ideal or theoretical distribution defined by a specific equation in order to achieve a bell-shaped symmetrical curve (Warner, 2008; Coakes and Steed, 2003). Details of the assessment of normality are explained below.

### **5.1.1 Reliability Test**

Cronbach’s alpha will be used in this current study to measure the reliability of the survey instrument. Thirty-eight items on 5-point Likert scale continuum ranging from ‘strongly disagree’ to ‘strongly agree’ were developed to measure four variables (or constructs); the Family Business Component (FBC) construct in which the items were supportive, proud, strategic planning, caring and positive influence of being involved in family business (5-items; Q14 to Q18) developed by Klein *et al.* (2005), the Paternalistic construct (5-items; Q19 to Q23) developed by Aycan *et al.* (2000), the Uncertainty Avoidance construct (7-items; Q24 to Q30) developed by Hofstede (1980), and the Entrepreneurial Orientation construct (8-items; Q31 to Q38) developed by Miller (1983) and Covin and Slevin (1991; 1989). Table 5.1 summarises the values of each survey questionnaire item according to these constructs.

**Table 5.1: Cronbach's Alpha Coefficient Value for the Reliabilities, Means and Standard Deviation of the Variables.**

<i>No</i>	<i>Variables (Constructs)</i>	<i>Item</i>	<i>Cronbach's Alpha if Item Deleted</i>	<i>Mean</i>	<i>Standard Deviation</i>	<i>Sample (n)</i>
1	Family Business Component (FBC)	5-items (Q14 to Q18)	0.686	4.2575	0.53770	226
2	Paternalism (PAT)	5-items (Q19 to Q23)	0.625	4.2115	0.53537	226
3	Uncertainty Avoidance (UA)	7-items (Q24 to Q30)	0.737	3.6150	0.51092	226
4	Entrepreneurial Orientation (EO)	8-items (Q31 to Q38)	0.645	3.9121	0.60731	226
Overall Cronbach's alpha coefficient			$\alpha = 0.736$			

Source: Author's Database

The overall Cronbach's alpha coefficient for reliability measurement is 0.736, ranging for each construct between 0.625 and 0.737. Since the overall Cronbach's alpha is higher than 0.7, is considered an acceptable and sound level of consistency. Reliabilities less than 0.6 are considered poor and those over 0.8 are considered good. The closer the reliability coefficient gets to 1.0, the better the measurement. As a rule of thumb, the fewer the items provided for each construct, the more difficult it is to achieve a satisfactory level of reliability (Klein *et al.*, 2005; Sekaran, 2003). Thus, for all four constructs together (combining the items for each construct or dimension), the overall Cronbach's alpha coefficient is 0.736, which is the highest without deleting any constructs, although it was found that deleting construct 3 (UA), which recorded slightly higher at  $\alpha = 0.737$ , a difference of  $\alpha = 0.001$ , which is not much different from the total of all four constructs together, with an alpha coefficient of 0.736 if construct 3 were deleted. Another reason for the higher score on overall Cronbach's alpha coefficient is because all the items or constructs were adopted from validated questionnaire surveys such as those of Klein *et al.* (2005), Aycan *et al.* (2000), Hofstede (1980) and Covin and Slevin (1991; 1989). A detailed

statistical analysis output of Cronbach's alpha of all the variables in the analysis is given in Appendix VI.

### 5.1.2. Normality Test

The assumption of normality for each data set is considered a prerequisite for many inferential statistical techniques. There are several tests of statistical normality: the Kolmogorov-Smirnov test, with Lilifors significance level, the Shapiro-Wilks test, and tests for skewness and kurtosis. For the analysis in this current study, the Kolmogorov-Smirnov test was chosen since it allows for a number of responses from more than fifty respondents ( $n > 50$ ) in a single research study to be analysed at the same time since this study received 226 respondents, unlike the Shapiro-Wilks test of normality which restricts the number of responses which can be computed to less than fifty ( $n < 50$ ) (Carver and Nash, 2006). Table 5.2 shows the Kolmogorov-Smirnov statistics for the current study with Lilifors significance level for testing. If the significance value is less than 0.05, normality of distribution is not assumed.

**Table 5.2: Kolmogorov-Smirnov Normality Test of Distribution**

Variables	Statistic	df.	Sig.
Family Business Component	.158	226	.000*
Paternalism	.138	226	.000*
Uncertainty Avoidance	.108	226	.000*
Entrepreneurial Orientation	.114	226	.000*

Source: Author's Database

df: Degree of Freedom; Sig: Significance level

\*Significance Level:  $< 0.05$

Table 5.2 shows that the significance value of the four variables (family business component, paternalism, uncertainty avoidance and entrepreneurial orientation) were  $0.000 < 0.05$ , which means that they are significant. This means that the distribution has violated the assumptions of the parametric test, so a non-parametric statistical technique was chosen (Coakes and Steed, 2003) (*see* Appendix VII).

## 5.2 Descriptive Statistics of Findings

Prior to conducting the fieldwork into family businesses, the researcher realised that a family business database in Malaysia is almost non-existent, which made it problematic to draw an accurate profile of the population of family business entities in Malaysia, or more specifically in the Klang Valley, and thus imposed limitations and constraints on the fieldwork process in terms of deriving solid data on family businesses and framing a sampling population for this study. This situation occurred because the only authority which determines the business classification for tax purposes, the Company's Commission of Malaysia (CCM), divides such businesses into two broad categories, 'sole-proprietorship of enterprise' and 'private company limited by share', and has failed to establish a database of family business as a separate entity as opposed to non-family businesses. Furthermore, because there is no such important and official database at national level determined by industry and sector, the contribution made by family businesses to the national development economy as a whole makes the family businesses presence in the economic picture less appreciated, implausible and neglected. This current study will therefore partly contribute to alerting the Malaysian authorities to the importance of having a database of family businesses of various sizes categorised by industry and sector, on the same lines as those in the developed nations such as the UK, the US and the European Union (EU) countries.

This current survey was undertaken to explore, identify and measure only Malay entrepreneurs' characteristics quantitatively, drawing a sample from a combination of family and non-family businesses on the existing database. A total of 500 postal questionnaires were sent to the Malay entrepreneurs listed in the Directory of Indigenous People's Trust Council (MARA) Entrepreneurs 2010. At the initial stage of using the MARA directory 2010, it was not at all clear which of the entities in the list of addresses compiled in the directory could be considered a family business entity until all the responses had been received. The initial responses to the postal survey were received during April, May and June 2010, and although there were 296 respondents (59.2 percent), these had to be filtered to determine whether the respondents fulfilled the criterion set for defining a family business for the purposes of this thesis as stipulated in question 4 of the survey: '*Does your business directly involve family members (i.e. husband, wife, children, siblings, cousins and related or extended family members in terms of shareholding and partnership?*'. The reason for asking this question was to make a clear demarcation between family businesses and non-family businesses. Two choices were given,

either ‘Yes’ or ‘No’. If the answer was “No” the respondent was asked to return the survey promptly to the researcher with the remaining questions unanswered. This meant that the respondent’s business did not fall into the definition of a family business and that the response was excluded from the survey as invalid. After filtering the responses on the basis of the answer to question 4, it was found that only 226 completed responses were suitable for this study, making a 45.2 percent response rate. According to Sekaran (2003), the response rate to a postal survey can be considered good if it exceeds 30 percent, and for the delivery/collection method if it is between 30 percent and 50 percent (Saunders *et al.*, 2009). The MARA directory of Entrepreneurs contained 3,539 addresses in the Klang Valley, of which almost 50 percent can be considered active business entities, as explained in sub-section 4.4.2.1. of Chapter 4.

### 5.2.1 Respondents’ Individual Profiles

The data for the respondents to the survey, such as status of business registration, number of years in operation, nature of the business, percentage of family share ownership, direct family involvement in ownership and management, highest qualification of family business owner/manager and gender of business owner/manager, are shown in Table 5.3.

**Table 5.3: Characteristics of Malay Family Business Owners**

No	Profile	Description	Frequency (n= 226)	Percentage (%)
1	Status of Business Registration	a) Enterprise/Sole Proprietorship	187	82.7
		b) Company limited by Share	36	15.9
		c) Cooperative	0	0
		d) Others	3	1.3
2	Number of Years in Operation	a) Less than 5 years	103	45.6
		b) Between 6 and 10 years	72	31.9
		c) Between 11 and 15 years	29	12.8
		d) Between 16 and 20 years	15	6.6
		e) Between 21 and 25 years	7	3.1
		f) More than 25 years	0	0

*continue to page 170.../*

(Continued from Table 5.3; pg.169)

3	Nature of the Business	a) Service	175	77.4
		b) Manufacturing	18	8.0
		c) Wholesale	19	8.4
		d) Construction	12	5.3
		e) Others	2	0.9
4	Shareholding by Family Members	a) Less than 50 percent (%)	8	3.5
		b) Between 51 and 99.9 percent (%)	12	5.3
		c) Wholly-owned 100 percent (%)	206	91.6
5	Situation of Business Ownership and Management	a) Own and manage family business	204	90.3
		b) Own but not manage	13	5.8
		c) Manage but not own	9	4.0
6	Highest Qualification	a) Primary School (UPSR)	1	0.4
		b) Lower Secondary (SRP/SPM)	14	6.2
		c) Upper Secondary (SPM/STPM)	156	69.0
		d) Diploma	43	19.0
		e) Degree	12	5.3
7	Gender	a) Male	151	66.8
		b) Female	75	33.2

Source: Author's Database

In terms of the status of business registration according to the Company's Commission of Malaysia on setting-up commercial activities and businesses, the respondents consisted of 82.7 percent who had registered their business under 'enterprise' or 'sole-proprietorship', while only 15.9 percent had registered their entity under 'company limited by share', and the remaining 1.3 percent had not registered either as enterprises or as limited by share. A total of 103 (45.6 percent) respondents had been involved in their present business for five years or less (but more than three years as minimum requirement for participating in this survey for exceeding short-term survival) compared with the remaining 123 respondents or 54.4 percent who had been involved in the business for periods ranging from six to 25 years. None of them had been in business for more than 25 years which means most of them established their businesses beginning year of 1985 onwards following the setting-up of MARA's directory in the early

1980's. Most of the family business respondents were involved in the service industry (175 responses, or 77.4 percent), followed by manufacturing and wholesale with 8.0 percent and 8.4 percent respectively, while the other remaining minority sectors in construction and others stood at 5.3 percent and 0.9 percent respectively.

The majority of the respondents were the major shareholders, with 206 respondents (91.2 percent) holding 100 percent of the shares in the business, while 12 respondents (5.3 percent) held between 51 percent and 99.9 percent. Only eight respondents (3.5 percent) were minor shareholders holding less than 50 percent of the shares in the business. This reflected the way their family businesses were managed, with the majority of the respondents (204 or 90.3 percent) being the owner-cum-manager of the business, while thirteen owners (5.8 percent) did not manage their own premises and the remaining nine respondents (4 percent) were only the manager of the family business, but not holding any shares in the business. Nine respondents (4 percent) were the managers of firms which were family business entities.

The majority of the business owner/managers were non-graduates; 75.7 percent had achieved higher education only at SPM level (the equivalent of GCE O Level) and below, while the remaining 24.3 percent held a diploma, (43, or 19 percent) or a degree (twelve respondents, or 5.3 percent). There were more males than females, with 151 (66.8 percent) and 75 respondents (33.2 percent) respectively. Details of the full statistical data on personal characteristics are given in Appendix VIII.

The majority of the Malay family businesses in this study had therefore preferred to register their business entity under the 'enterprise/sole proprietorship', with 82.7 percent of the responses. In terms of the number of years in operation, the majority had been in business for more than six years, and were therefore in the long-term survival stage having successfully passed the first critical short-term survival period of three years, and it was the minimum requirement of this study for the participants to have completed at least three consecutive years from 2007 to 2009 of average employee growth (AEG) and average sales growth (ASG). The service industry was the most preferred type of industry, represented by 175 entities (77.4 percent), and 226 (more than 90 percent) were wholly-owned family business operators. This mirrors the 90 percent whose owned and managed businesses were in the hands of non-graduates, with up to upper-secondary

school leaver owners-cum-managers numbering 156 respondents (69 percent). From the gender perspective, males were more prominent than females as family business owners.

### **5.3 Malay Family Businesses (MFB) in the Klang Valley**

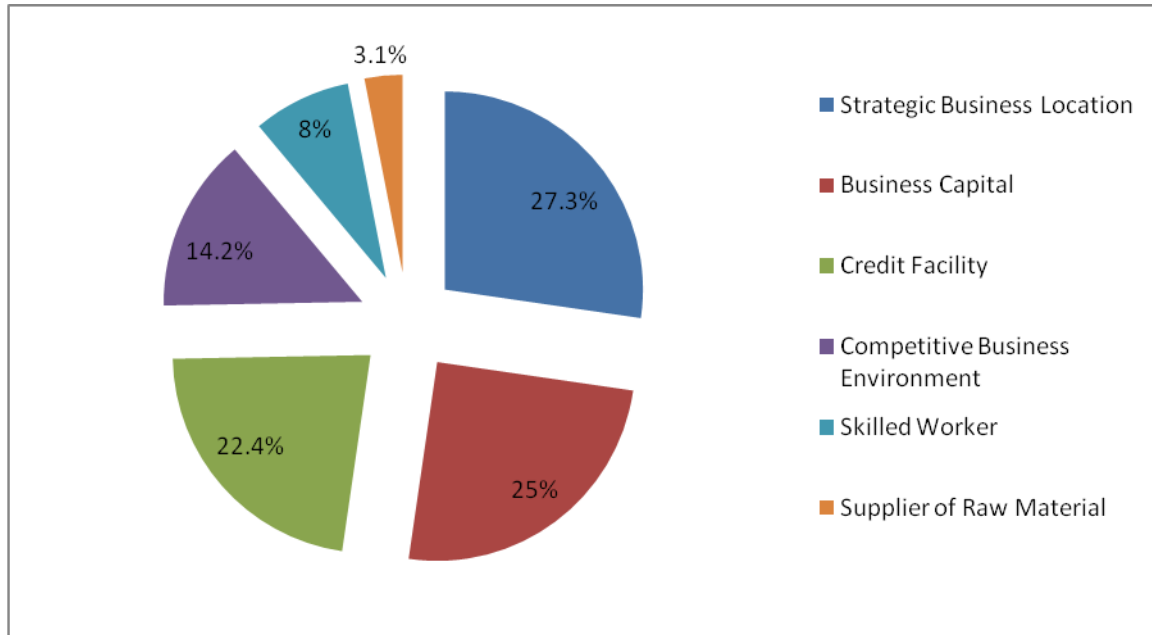
For many small business enterprises, size-related factors affect their ability to identify and respond to developmental opportunities in terms of the business external environment, the culture of the organisation, finance, attracting and retaining quality staff, and effective marketing strategy (Wyer and Small, 2006). They also faced similar barriers to those encountered in small businesses highlighted by Burns (2007), namely, increased competition, availability and cost of finance for expansion, marketing and sales skills, overdraft facility, growth of market demand, skilled labour, new technology acquisition, difficulty of implementing new technology, availability of a suitable location, and access to overseas markets.

#### **5.3.1 Main Challenges faced by MFBs**

Figure 5.1 depicts the main challenges faced by MFBs in order to survive in the long-term. The respondents were asked to rank by number the six principal business challenges regularly faced by the business operator. It has already been frequently stated that this study is exploratory in nature and is designed to investigate the factors related to the long-term survival of family businesses among the Malays in the Klang Valley, since little was known about these by the researcher, which stimulated the researcher to ask about the main challenges faced by those running their family businesses in that area.



**Figure 5.1: Main Challenges faced by MFBs in the Klang Valley**



Source: Author's Database; n= 226

Figure 5.1 shows the six factors given in response to question 12 in the questionnaire asking about the main challenges faced by long-term family business. Of these, the first three will be analysed as the most important challenges: first a 'strategic business location', which ranked highest with 27.3 percent, followed by 'business capital turn over' at 25 percent and 'credit facility' with 22.4 percent. These top three business challenges were followed by 'the least important' three of the six main challenges: 'competitive business environmental', 'skilled workers' and 'suppliers of the raw materials' with percentage scores of 14.2 percent, 8 percent and 3.1 percent respectively. Appendix VIII(a) presented the statistical output for this result. Since most of the family-owned businesses in the sample were operating in the service sector, as described above, the service industry does not rely much on raw materials compared with manufacturing firms of small- and medium-sized enterprises because the majority of small service sector companies only deal with the retail market business segmentation rather than the manufacturing of products. These findings were not far from the findings obtained by previous researchers studying small business challenges across a wider field and not limited just to Malaysia, such as access to finance, inadequacy of start-up equity and shortage of skilled labour,

which are common constraints on small business economies all over the world (Borin, 2004). Since the sample in the current study was largely drawn from the area around the capital city, Kuala Lumpur, representing business operators in the Klang Valley, the location of the business was of prime importance to attracting large numbers of customers in the retail industry, one of the business characteristics of small businesses. This issue of location is not limited to land area, but could be extended to floor space in high-rise buildings or malls which have easy access for customers, especially during office hours, since office outlets are in the same buildings as commercial retail outlets.

However, Ligthelm (2008) compared two types of location, closer to a business mall and closer to neighbourhood areas, as a predictor of small business survival and mortality, and found that business located further from the mall were less negatively affected than those in close vicinity to the mall; his research was largely taken from samples located within five-kilometre circles surrounding a mall in Johannesburg in South Africa. His results confirmed the convenience factor of small township businesses allowing township dwellers to buy household necessities in small quantities close to their residence as compared with the city mall which operates only during office hours on week days. The contrast between Ligthelm's (2008) findings and those in the current study are largely the consequence of the type of sample chosen: Ligthelm's (2008) sample was drawn from small-business operators which had been operating for less than two years and were within a 5km radius between a shopping mall area and a residential area, whereas the sample in the current study were largely small businesses which had been in operation for more than six years, and therefore were categorised as long-term business survivors in the Klang Valley, which covers a radius of almost 40km in an area in which the capital city Kuala Lumpur is located. Furthermore, the two very different capital cities, Kuala Lumpur and Johannesburg, involved in these contrasting studies could contribute to the purchasing power of customers and the patterns of consumer marketing, and the vibrant and economic activities produced by these two different cities, plus the different population sizes and densities involved in these studies, will also affect the findings.

The database used for the quantitative questionnaire survey offers limited opportunities to draw further explanations on this issue since there is very limited empirical data to substantiate these contrasting findings, such as further questions to be asked, for example, about the type of

mall/shops in which they are operating, the types of product sold in the service industry, and whether they are in a high-rise business mall or a land-based flat commercial shopping zone; questions such as these should be further investigated and developed in future research into the impact of business location in terms of mall or residential township in such inherently vibrant cities. However, the conclusion in the current study is that the main challenges faced in terms of the long-term survival of family businesses are contributed by the location in which the businesses operate, the competitive environment, and access to business capital, especially in the service marketing industry, for micro- and small-sized businesses.

Despite the limitations of the data source and the main challenges to long-term family business survival, the current findings are not very different from those of Ward (1997), who identified six important powerful challenges to long-term survival and growth: (1) maturing business life cycles and increasing competition; (2) limited capital to fund both family needs and business growth needs; (3) weak next-generation business leadership; (4) entrepreneurial leadership's inflexibility and resistance to change; (5) conflicts among sibling successors; and (6) incongruent family goals, values and needs.

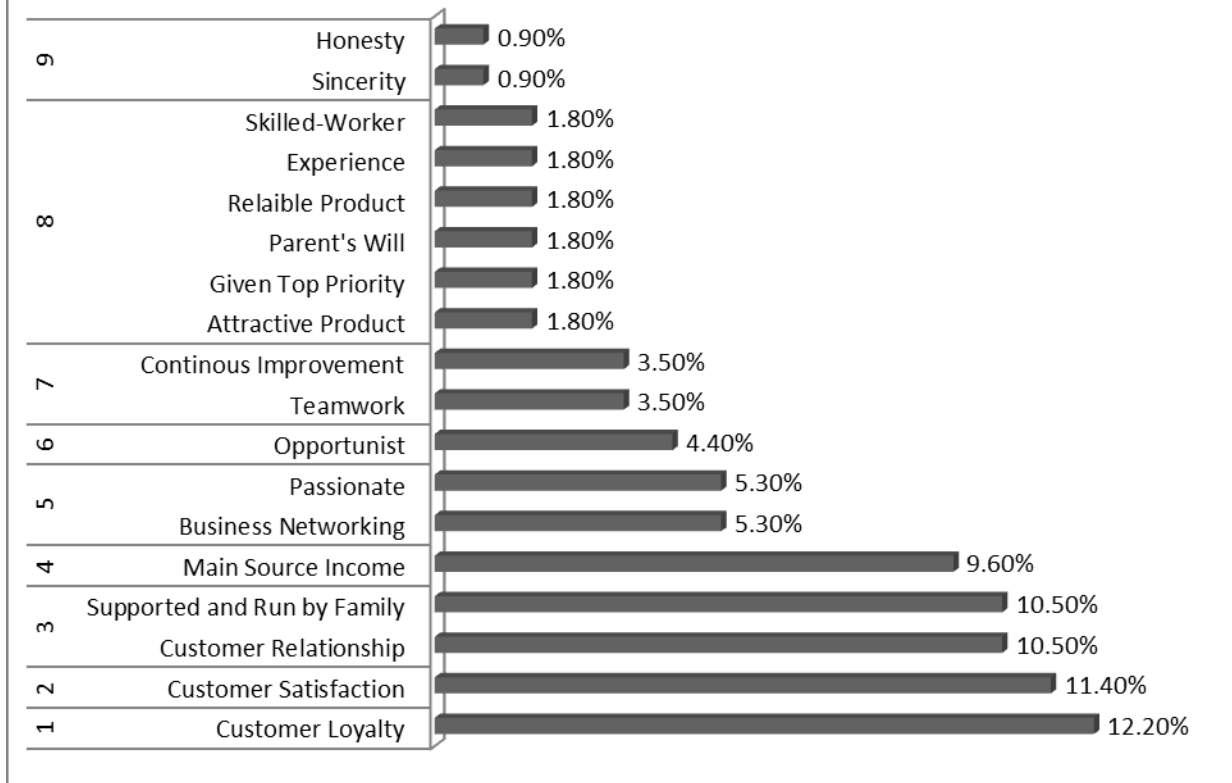
### **5.3.2 Malay Family Business Practices in the Klang Valley**

There is a popular perception that family-owned businesses do not grow. This is a notion supported by no less an expert than Leon Danco of the Arthur Andersen Center for Family Business, the founding father of the field of family business research. He contended that family businesses fail to survive short-term or long-term simply because they allow themselves to be destroyed, slowly but surely, by the action, or more accurately the inaction, and the incapability of their owner-managers. Businesses fail more often because these people never make the decisions needed to ensure the vitality of their companies in an ever-changing and ever more complex world (Danco, 1994, 1980, and 1975). However, contrary to this popular perception in the early 1980s, family-owned businesses can grow. Although they face several inherent challenges, family business can expand by following some simple, but critical steps (Ward, 1987). A previous study found that over a sixty-year period, only 15 percent of the sample survived as independent business owners. Two-thirds of those that did survive did not grow at all through the decades (Benson *et al.*, 1990). In this context, Ward (1997) offered special challenges to growing a family firm and then proposed a growth model for overcoming them.

The model concludes with a detailed review of the management best practices that can enable family firms to implement the model daily, while ensuring long-term survival, growth and prosperity: (1) to assure fresh strategic insights; (2) to attract and retain excellent non-family managers; (3) to create a flexible, innovative organization; (4) to create and conserve capital; (5) to prepare successors for leadership; and (6) to exploit the unique strategic advantages of family ownership.

In the questionnaire survey of the current study, the respondents were asked in an open-ended question (question 13) about what type of business practices they applied to ensure that their family business not only survived during the critical first three years (short-term survival), but also beyond that for long-term survival. Figure 5.2 illustrates the MFB's practices divided into nine ranks in which the scores varied from 12.20 percent as the highest to 0.9 percent as the lowest (although much lower scores than 0.9 percent were generated, it is too small a percentage to represent the overall picture of the MFB study in the Klang Valley). Most of the respondents gave at least three main business practices to illustrate their business undertaking, but others offered only one practice, and the diversity of responses provided frequency figures which were grouped by the researcher according to the most suitable business practices.

**Figure 5.2: Malay Family Business Practices**



Source: Author's Database; n=226

Figure 5.2 shows eighteen factors categorised into nine rankings of the principal practices given by MFBs to show how they treated their business operation management and characteristics daily in order to sustain long-term business survival. Of them, the first five factors were 'customer loyalty' with the highest score at 12.2 percent, followed by the 'customer satisfaction' with 11.4 percent, 'customer relationship' and 'supported and run by family members' both with 10.5 percent, and 'main source of income' with 9.6 percent. The fifth rank comprised 'business networking' and 'passionate', both with 5.3 percent, while the remaining eleven factors formed four rankings which scored less than 5 percent, varying from 4.4 percent to 0.9 percent. Appendix VIII(b) presented the statistical output for this result. These bottom four ranks will not be discussed here, but the top five rankings will be discussed as reflecting the principal findings. 'Customers' were therefore the major subject of interest among MFB's owners' practices in terms of making them loyal to the shop and satisfied with the product sold to ensure long-term customer/owner relationships. This can be easily understood since the majority of the

respondents participating in this survey were from the service industry in which it is the nature of micro- and small-sized to specialise in retailing, marketing products, and providing customer service.

Apart from family support from the immediate kinship and extended family members, the results show that business networking or social capital were major practices among long-term surviving MFBs since there was evidence that ‘customer relationship’ which was ranked the third as a result of their deeper understanding of the use of business networking in order to boost their businesses existence longer. Although honesty and sincerity were regarded as the least important business practices, both falling in the ninth rank, these values were not intended to be ignored but were already embedded in the daily business practices designed to build customer loyalty and satisfaction and to create a relationship with the business, and could not be easily separated out from that aim.

It is worth noting that customers were the first thing to cross the respondents’ minds when they answered the open-ended question, and this showed that they had implicit important knowledge about marketing management in their business practices by believing that the ‘customer comes first’ or ‘the customer is our king’, and this is congruent with one of Ward’s (1997) six best practices to ensure long-term survival and growth by exploiting the unique strategic advantages in conducting a long-term family business, as in the current case of treating customers well as a ‘bundle of unique resources’, to use a term coined by Barney (2001 and 1991), from the resource-based point of view (RBV), or the subjectivity of entrepreneurial opportunities (Yasmin *et al.*, 2007) and activities derived through a “close relation between the various kinds of resources in developing ideas, experience and knowledge of entrepreneurs in working firms” (Penrose, 1959) and the ‘familiness’ of unique family resources applauded by Astrachan (1988), Dyer (1988 and 1984) and Pearson *et al.* (2008).

This result also reflects the findings of previous studies, which did suggest that failures in survival of small family businesses were contributed to by the misuse of marketing strategies and tools which are factors for long-term survival and growth among small-business owners. Furthermore, researchers have found that small-business strategies have focused on developing better strategies for long-term survival and growth when they are in a competitive market, and that small- and medium-sized enterprises would stabilise after a short period of time, or ‘short-

term survival', before embarking on long-term survival, and have further suggested that companies which remain profitable and see little growth in other areas do not adopt further strategies, which is corroborated by subsequent literatures which have identified that micro- and small-sized businesses tend to be heterogeneous and often appear to fail to grow (King, 2008).

#### **5.4 Inferential Statistics: Objective Measurement of Growth and Long-Term Survival**

Previous studies of small-business owners initially described an entrepreneur as an individual who operates a small business for the sake of profit and growth, while others referred to the activities of entrepreneurial small-business owners as “growth orientation” (Runyan *et al.*, 2008; Stewart and Roth, 2001; Carland *et al.*, 1988 and 1984). Other studies have reported that for over thirty years, researchers have carried out significant research regarding firm formation, short-term survival, growth, decline and closure, and they have taken three main paths on studies of small business dynamics, namely, proportional growth, net job creation, and long-term business survival (Headd and Kirchhoff, 2009; Haltiwanger, 2006), and have found a negative relationship between firm growth rate and size in manufacturing firms. This means that small firms grow faster than larger ones (Norton, 1992; Halls, 1987), but a seminal work on large firms found no difference in growth rates by size for the 500 largest firms in the US between 1954 and 1956 (Simon and Bonini, 1958). Therefore, in this current study of micro- and small-sized family business survival, an objective pattern (quantitative measures) of growth measures will be taken into account as a partial indicator in quantitative analysis (this current chapter, Chapter 5), while the subjective pattern of growth will be thoroughly analysed in the qualitative analysis of MFBs (Chapter 6). An objective pattern of growth is to explore MFB's pattern of growth after having passed and succeeded the critical three-year stage marking short-term survival in the SBG model. This will also indicate whether there is 'spotty-growth' among the micro- and small-sized MFBs in this study.

##### **5.4.1 Methods for Quantifying Average Employee Growth (AEG) and Average Sales Growth (ASG) for the micro-and small-sized MFBs.**

The proposed method for quantifying objective growth determinants on quantifiable measures in this survey of 226 MFBs is to use average employee growth (AEG) between 2007 and 2009, average sales growth (ASG) between 2007 and 2009, and years in operation in the existing business to see if there is any association or relationship with gender by using Chi-Square

statistical analysis. AEG and ASG will be computed based on three consecutive years of growth patterns, that is, the difference between 2007 and 2008 AEG/ASG, and between 2008 and 2009 AEG/ASG, and then weighing the average of the 2007 and 2008 differences of both AEG/ASG, and between 2008 and 2009 as well. If the average results show positive signs, this will mean that the respondent recorded 'surplus average' and can be grouped under category variable '1', the same goes for a negative result, showing 'loss average', which can be grouped under category variable '2'. These 'surplus average' as a category variable '1' and 'loss average' as a category variable '2' were the indicative of the presence 'spotty growth' among the micro- and small-sized of MFBs.

#### **5.4.2 Gender and Malay Family Businesses: Growth and Long-Term Survival**

Rosa and Hamilton (1996) found that there was no significant evidence in terms of small business survival when gender is taken into account. Their findings suggested that the performance and survival determinants are identical whatever gender is in charge. However, when entrepreneurial performance measures were involved, such as branching out into new businesses, men have been shown more significantly to own other businesses than women, and they also have stronger ambitions for growth as they are passionate about expanding their business branches. Studies of the survival of start-up manufacturing firms have shown that the numbers of surviving firms were much greater than those which failed, while other studies have found that survival rates increase as firms become older and grow, and that there are differences among industries and firm size (Headd and Kirchoff, 2009; Philips and Kirchoff, 1989; Dunne *et al.*, 1988), and that younger small firms are less likely to survive than large firms, while the latter have significant variations in survival rates (Storey and Wynarczyk, 1996).

##### **5.4.2.1 Gender and Average Employee Growth (AEG)**

A Chi-Square test of relatedness was chosen to explain the relationship (the independence) between two categorical variables (Coakes and Steed, 2003). A non-parametric statistical test was chosen rather than a parametric technique since the data violated the assumption of normal distribution of the data for this study (see sub-section 5.1.2 for the Normality Test results). A Chi-square test of relatedness is also known as a 'test for independence'. It compares the frequency of cases found in the various categories of one variable across the different categories of another variable to explore the relationship between two categorical variables. In this case,



gender (male and female) and AEG are the two categorical variables (Pallant, 2005). Table 5.4 shows the Chi-square analysis between gender and AEG of this survey of MFBs in the Klang Valley, and Table 5.5 shows ASG. In this study, as already stated, AEG and ASG are used as quantitative survival indicators for micro- and small-sized family businesses.

**Table 5.4: Chi-Square Analysis between Gender and AEG**

Variables	Test	Sig. Value	Total Response (n) = 226	
			Male	Female
Gender and AEG	Fisher's Exact Test	0.595	n= 151	n=75

Source: Author's Database  
Significance level at p-value < 0.05

Table 5.4 shows that by using Fisher's Exact Test value at 5 percent or 0.05 significance level, there is no significant relationship or association between gender and AEG, with a p-value of  $0.595 > 0.05$ . Fisher's Exact Test was used rather than the Pearson Chi-Square test because when a Chi-Square test is applied to contingency tables, the usual rule is that 'no cell should have an expected cell frequency less than 5'. A more appropriate analysis for a table in which some rows or columns have very small numbers (i.e. less than 5) and some cells have expected frequencies of less than 5 is by using Fisher's Exact value rather than Pearson's Chi-Square value (Warner, 2008; Pallant, 2005). In the results, two cells (2.7 and 1.3) have expected counts less than 5, while the minimum expected count is 1.33 (*see* details of the statistical output given in Appendix IX), thus Fisher's Exact value test was chosen.

This result shows that having a male or a female as owner of an MFB had no difference when  $p=0.595 > 0.05$  on the growth in number of employees between 2007 to 2009 consecutively, which is consistent with the findings of Rosa and Hamilton (1996), who found no difference made by gender on firms' survival and growth measurement. The current research sample was largely taken from micro- and small-sized family businesses of which the majority had been in operation for more than five years (55.4 percent) and 44.6 percent had been more than three years in operation, passing the critical stage for short-term survival, which had employed only one worker during the first year start-up (27 family firms, or 33.8 percent) and increased in 2009

by hiring two workers (78 firms, or 34.5 percent). Previous research has consistently found that employment growth was highly related to industry and sector sensitivity (Wiklund and Shepherd, 2005), and in the current study, when a family business's employees were hired from among family members or the 'nuclear family', no employee was hired at one time since the owner-cum-manager was capable of managing a micro- to small-sized family firm.

#### 5.4.2.2 Gender and Average Sales Growth (ASG)

Table 5.5 shows the results in terms of the relationship between gender and ASG of MFBs. Again using Fisher's Exact test value at 5 percent or 0.05 significance level, there is no significant relationship or association between gender and ASG, with a p-value of  $0.668 > 0.05$ . Fisher's Exact test was used rather than the Pearson Chi-Square test because there are two cells (0.7 and 0.3) which have an expected frequency less than 5 when a Chi-Square test is applied to contingency tables (Warner, 2008; Pallant, 2005). Details of the statistical output are given in Appendix X.

**Table 5.5: Chi-Square Analysis between Gender and ASG**

Variables	Test	Sig. Value	Total Response (n) = 226	
			Male	Female
Gender and ASG	Fisher's Exact Test	0.668	n= 151	n=75

Source: Author's Database  
Significance level at p-value < 0.05

Table 5.5 shows that having a male or a female as an owner of a MFB made no difference to the growth of sales between 2007 and 2009 with  $p=0.668 > 0.005$ . Ideally, sales growth, net profit and gross profit were among the financial measurements preferred by Malaysian manufacturing firms (Kassim *et al.*, 1989). This is in line with the view of Ruzita and Parnell (2007) in their study of strategy and performance measurement in 120 small- and medium-sized manufacturing companies in Malaysia employing at least 25 workers. Only sales growth and return on investment (ROI) were found significant in that study. They found that a significant effect on sales performance was contributed by strategy implementation in the small- and bigger-sized

manufacturing companies, compared with the non-significance found in the current study of micro- and small-sized family businesses. Price sensitivity is assumed to be the main reason for the non-significant finding in micro- and small-sized family businesses in terms of the relationship between gender and ASG (Wiklund and Shepherd, 2005; Weinzemmer *et al.*, 1980), because small businesses are mostly retailers of finished products and lack market power in terms of being a ‘price taker’ more than a ‘price maker’, compared with large businesses (Storey and Greene, 2010). However, the current result has further confirmed the results of Rosa and Hamilton (1996), who found that that there was no significant evidence of any effect of gender on small business survival or on growth, as explained in sub-section 5.4.2.1 above.

### 5.4.2.3 Gender and Years of Business Operation

Table 5.6 presents the results of the relationship between gender and years of business operation of MFBs. Using the Pearson Chi-Square test value at 5 percent or 0.05 significance level, there was no significant relationship between gender and years of business operation, with a p-value of  $0.243 > 0.05$ . The Pearson Chi-Square test was used because there is no cell which has an expected frequency less than 5 when a Chi-Square test is applied to contingency tables (Warner, 2008; Pallant, 2005). The minimum expected count was 7.3. This means that the assumption has not been violated since all the expected cell sizes are greater than 5. Details of the statistical output are given in Appendix XI.

**Table 5.6: Chi-Square Analysis between Gender and Years of Business Operation**

Variables	Test	Sig. Value	Total Response (n) = 226	
			Men	Women
<b>Gender and Years of Business Operation</b>	Pearson Chi-Square	0.243	n= 151	n=75

Source: Author’s Database  
Significance level at p-value < 0.05

Table 5.6 shows that having a male or a female as the owner of a MFB made no difference to the years of business operation, with  $p=0.243 > 0.05$ . This result is congruent with the views by Rosa and Hamilton (1996) who found that that there was no significant evidence in terms of small business survival in terms of number of year involved in the business ventures especially

in family businesses when gender was taken into account. However, male have been found more ambitious and passionate in branching-out new business ventures than female.

#### 5.4.2.4 Gender and Entrepreneurial Orientation (EO)

Table 5.7 shows the result of the gender and EO of MFBs in terms of mean differences. Using the Mann-Whitney U-test value at 5 percent or 0.05 significance level, there was a significant difference between gender and EO, with a p-value of  $p= 0.004 < 0.05$ . This test is a non-parametric technique used to test for differences between two independent groups on continuous measures and is an alternative to a parametric t-Test. Two variables are required; one independent variable with two groups, in this case gender (male and female), and the other variable a dependent variable, in this case EO. The Mann-Whitney U-test actually compares the medians instead of the means of the two groups as in the case in a parametric t-test, by converting the scores on the continuous variables into ranks, across two groups, and it then evaluates whether the ranks for the two groups differ significantly (Pallant, 2005; Coakes and Steed, 2003). Details of the statistical output are given in Appendix XII.

**Table 5.7: Mann-Whitney U-Test between Gender and EO**

Variables	Test	Sig. Value	Mean Rank (n) = 226	
			Male (n= 151)	Female (n=75)
Gender and EO	Mann-Whitney U-test	<b>0.004*</b>	122.19	96.01

Source: Author's Database

\*Significance level at p-value < 0.01

Table 5.7 shows statistically strong differences when the significance level was set at 1 percent or 0.01 at ( $p= 0.004 < 0.01$ ) in the EO of males and female. When comparing mean rank across gender and EO, males (*mean rank*: 122.19) scored higher than females (*mean rank*: 96.10) in all three entrepreneurial orientation variables, innovation, risk-taking and competitiveness, which means that male owners of family businesses are more inclined towards entrepreneurial activities which imply method, process and strategies than female owners. The ownership status of the

firm in this study refers to the person who is registered as sole-proprietor following the Malaysian requirements in conducting business, but in reality the people behind sole-ownerships of family businesses were husband and wife partnerships. In this case, if the husband is the owner, his wife maybe acts as an assistant in running the firm, and similarly, if the wife is the owner, the husband may be assisting her part-time, but their children or extended family may also be helping her in the shop. EO relates to the strategic performance of process and method in business, thus male owners are more strategists than females in running a small family business. This result contrasts with that of Kropp *et al.* (2008), who found that gender did not play any role in EO. Ringov and Zollo (2007) observed an inverted U-shaped relationship between management group heterogeneity and productivity, with moderately heterogeneous management groups exhibiting better performance than other management groups. This effect was strongest for gender heterogeneity. Thus, Ringov and Zollo's (2007) finding suggests that totally homogeneous groups may not thrive in an environment requiring quick decisions and aggressive competitive behaviour.

#### 5.4.2.5 Gender and Paternalism (PAT)

Table 5.8 presents the result of gender and PAT in MFBs. Using the Mann-Whitney U-test value at 5 percent or 0.05 significance level, there were no significant differences between gender and PAT, with a p-value of 0.090 > 0.05. This test is a non-parametric technique used to test for differences between two independent groups on continuous measures.

**Table 5.8: Mann-Whitney U-Test between Gender and PAT**

Variables	Test	Sig. Value	Mean Rank (n) = 226	
			Male (n= 151)	Female (n=75)
Gender and PAT	Mann-Whitney U-test	0.090	118.66	103.11

Source: Author's Database

\*Significance level at p-value < 0.05

Table 5.8 shows that there were no differences with  $p=0.090 > 0.05$  in the paternalistic style of leadership between males and female as the owner of an MFB. Scase and Goffee (1982)

developed a three-way typology comprising of an impersonal, coercive management style labeled ‘autocratic’, and two other approaches based on analogies with family relationships, ‘paternal’ and ‘fraternal’. A ‘fraternalistic’ employer works alongside employees and characteristically encourages teamwork and equality. A ‘paternalistic’ employer sustains the hierarchy within the firm but tries to secure the loyalty of employees by consideration and kindness. Autocracy, as the word suggests, involves relationships based on power and coercion (Baines and Wheelock, 1998; Scase, 1995; Scase and Goffee, 1982). Since gender has been found not to have any significance on paternalism, it could be considered that the family businesses involved in this survey were not paternalistic, fraternalistic or autocratic, but had a more ‘participative’ style of management or a *laissez-faire* leadership style. This participative style of modern business management was practised by most of the current owner/managers, which is congruent with Dyer’s (1988) findings on forty family firms which showed four styles of business culture, paternalistic, *laissez-faire*, participative and professional. Details of the statistical output are given in Appendix XIII.

#### 5.4.2.6 Gender and Uncertainty Avoidance (UA)

Table 5.9 presents the results of the mean differences of two variables between gender and UA of the MFBs. Using the Mann-Whitney U-test value at 5 percent or 0.05 significance level, there were no significant differences between gender and UA, with a p-value of  $0.148 > 0.05$ . This test is a non-parametric technique used to test for differences between two independent groups on continuous measures.

**Table 5.9: Mann-Whitney U-Test between Gender and UA**

Variables	Test	Sig. Value	Mean Rank (n) = 226	
			Male (n= 151)	Female (n=75)
Gender and UA	Mann-Whitney U-test	0.148	117.92	104.59

Source: Author’s Database

\*Significance level at p-value < 0.05

The result shows that there were no differences with a  $p=0.148 > 0.05$  in the UA of males and females as owner of an MFB. UA is the degree to which members of a society or organisation feel comfortable with uncertainty and ambiguity. This feeling will lead them to beliefs promising certainty and to maintain organisational and institutional protecting conformity, in which strong UA organisation will sustain rigid codes of beliefs, and rules of conduct and behaviour, as well as tolerance towards deviant persons and ideas, while an organisation with weak UA prefers to maintain a more relaxed atmosphere in which practising UA counts more than principles, and deviance is more easily tolerated (Hofstede, 1984). However, Hofstede's (1980) findings which ranked Malaysia as having among the highest UA contrast with the more recent findings of Ayoun and Moreo (2008) in a study of small hotels' top managers, that Malaysia (43 samples) and the US (50 samples) were grouped together as low UA countries. Members of these cultures believe that they are in control of most if not all of life's events and that their individual actions and efforts will make a difference in their personal lives. According to the previous literatures (for example, Geletkanycz, 1997; Schneider, 1989; Robertson *et al.*, 2002), low UA should be expected to lead to greater willingness to embrace change. Additionally, hierarchical multiple regressions indicated that across the dependent variables, the addition of the contextual variables (national culture, gender, education, age, functional background, industry experience, hotel size) did not significantly increase the prediction power of the model. One possible reason for this is that being flexible to adapt to the ever-changing business environment is a quality that is imperative for all managers to master, regardless of their national culture; hence the lack of marked differences between managers in different countries in this regard (Ayoun and Moreo, 2008).

Although no significant differences between gender and UA was found in the current study, the overall mean score for UA was 3.8 on a 5-point Likert scale (*see*: frequency tabulation in Appendix VIII), which can be considered a moderate/medium level among MFBs, neither too strong nor too weak in terms of UA. This moderate level of UA is similar to Lrong's (1998 and 2001) findings that Malays became more aggressive in business as a result of the implementation of the NEP because they became more interested in doing business than the Chinese. Details of the statistical output are given in Appendix XIV.

## 5.5 Education Level and Uncertainty Avoidance (UA)

Table 5.10 presents the results of the mean differences between education level and UA of the MFBs. Using the Kruskal-Wallis statistical test value set at 5 percent or 0.05 significance level, there were no significant differences between education level and UA, with a p-value of  $0.280 > 0.05$ . The Kruskal-Wallis Test, sometimes referred to as the Kruskal-Wallis H Test, is a non-parametric statistical test, used here since the data violated the assumption of normal distribution and as an alternative to a one-way between-groups analysis of variance (ANOVA) by comparing the scores on some continuous variable for three or more groups. It is similar to the Mann-Whitney U-Test as presented earlier. Scores are converted into ranks and the mean rank for each group then is compared (Warner, 2008; Pallant, 2005; Coakes and Steed, 2003). This test is a ‘between groups’ analysis which means that different people must be in each different group.

**Table 5.10: Kruskal-Wallis Test between Education and UA**

Variables	Test	Sig. Value
Education Level and UA	Kruskal-Wallis	0.280

Source: Author’s Database

\*Significance level at p-value  $< 0.05$

The result shows that there were no differences, with  $p=0.280 > 0.05$ , in UA in relation to education level. Ayoun and Moreo (2008) found that education did not have a significant differences with UA, in that whatever education level had been achieved by the owners of MFBs did not reflect in a weaker, moderate or stronger UA level. This study of MFB proved that level of education received whether at primary, secondary or tertiary were no different when the owners’ of MFB of different education levels varies in their degree of UA whether weaker or stronger, although the weaker (or low UA) were most preferred UA in certain competitive environment such as business ventures in the context of Malaysia (Aida, 2008; Lrong, 1999 and 2001). Details of the statistical output are given in Appendix XV.



## 5.6 Education Level and Paternalism (PAT)

Table 5.11 presents the results of the relationship between education level and PAT in the MFBs. Using the Kruskal-Wallis test value at 5 percent or 0.05 significance level, there were no significant differences of the mean between education level and PAT, with a p-value of  $0.352 > 0.05$ . This is a non-parametric technique used to test for differences in means between two independent groups on continuous measures.

**Table 5.11: Kruskal-Wallis Test between Education and PAT**

Variables	Test	Sig. Value
Education Level and PAT	Kruskal-Wallis	0.352

Source: Author's Database

\*Significance level at p-value  $< 0.05$

Table 5.11 shows that there were no differences, with  $p=0.352 > 0.05$ , between the education level of an owner of an MFB and a paternalistic management style. Storey (1982) summarised the following types of entrepreneur. First, craft entrepreneurs are noted by their working-class, blue-collar background, low level of education and paternalistic management style. To craft entrepreneurs, self-employment represents simply a livelihood, and the primary motivation is provided by intrinsic factors such as lifestyle and job satisfaction, rather than economic objectives. Opportunistic entrepreneurs, however, are characterised by their middle class, white-collar background, higher level of educational attainment and professional management style. They are motivated by economic objectives and pursue profits and growth, although these aims may be limited by a desire to retain autonomy over key decision-making processes within the firm. These entrepreneurs will operate in any markets in which they have spotted an opportunity, and may have no previous technical experience of the product or service. They exercise a remote management style rather than being involved hands-on, and they are proactive in marketing their product strategically. Although these ideal type entrepreneurs are clearly distinct in terms of their education and life experiences, the dynamic element allows for changes in their objectives and managerial practices (Glancey and Pettigrew, 1997). Details of the statistical output are given in Appendix XVI.

## 5.7 Education Level and Entrepreneurial Orientation (EO)

Table 5.12 presents the results of the mean differences between education level and EO in the MFBs. Using the Kruskal-Wallis test value at 5 percent or 0.05 significance level, there were no significant differences between education level and EO, with a p-value of  $0.657 > 0.05$ .

**Table 5.12: Kruskal-Wallis Test between Education and EO**

Variables	Test	Sig. Value
Education Level and EO	Kruskal-Wallis	0.657

Source: Author's Database

\*Significance level at p-value  $< 0.05$

Table 5.12 shows that there were no differences, with a significance value of  $p=0.657 > 0.05$ , in education level and EO of an owner of an MFB. Previous researchers have suggested that most individuals who start businesses have higher education levels than people who do not (Bates, 1995; Bowen and Hisrich, 1986). The current result, however, may relate more specifically to developed countries than in the case of Malaysia, as a previous study by Rohana (2008) found that those with higher educational attainment are less likely to be self-employed than those with lower educational levels. Moreover, this result is congruent with the notion that, in developing countries, the more participants develop their educational qualifications, the less they are inclined to start up businesses – one excludes the other. Perhaps those starting businesses did not have the time or inclination to obtain a better education, or maybe less-educated people in developing countries start businesses because they find it difficult to obtain a job working for someone else (Kropp *et al.*, 2008). Details of the statistical output are given in Appendix XVII.

## 5.8 Years of Operation and Uncertainty Avoidance (UA)

Table 5.13 presents the result of the mean differences between years of operation and UA of the MFBs. Using the Kruskal-Wallis test value at 5 percent or 0.05 significance level, there were significant differences in means between years of operation and UA, with a p-value of  $0.022 < 0.05$ .

**Table 5.13: Kruskal-Wallis Test between Years of Operation and UA**

Variables	Test	Sig. Value	N=226 (Years of Operation)	Mean Rank of Year Operate
<b>Years of Operation and UA</b>	Kruskal-Wallis	0.022	103 (<5)	116.13
			72 (6-10)	114.81
			<b>29 (11-15) *</b>	<b>132.19*</b>
			15 (16-20)	72.63
			7 (21-25)	71.50

Source: Author's Database

\*Significance level at p-value  $< 0.05$

Table 5.13 shows the statistical mean differences when the significance level was set at 5 percent or 0.05, with  $p = 0.022 < 0.05$  for the relationship between years of operation and UA. Comparing mean rank across years of operation, those who had been operating for between eleven and fifteen years (29 of the respondents) had higher scores than those with fewer year or more years in operation than them. As the mean score for UA in this study is 3.8 on a 5-point Likert scale ranging from strong (low risk taker) to moderate (higher risk taker or more aggressive) of UA, this result confirms Lrong's (1998 and 2001) findings that Malays have become more aggressive in their business operation since the implementation of the NEP, which encouraged them to venture in their businesses, and as a result exposed them to a competitive business environment, which also tended to make them more likely to take higher risks. This result also shows that the MFBs had almost no strategic long-term plans for their business ventures, since the organisations which were run by high UA or low risk takers used less long-term formal strategic planning than organisations run by owners who have low UA or are high risk takers (Ueno and Sekaran, 1992; Hofstede, 1980). Details of the statistical output are given in Appendix XVIII.

## 5.9 Years of Operation and Average Sales Growth (ASG)

Table 5.14 presents the result of the mean differences between years of operation and ASG in the MFBs. Using the Kruskal-Wallis test value at 5 percent or 0.05 significance level, there were significant mean differences between years of operation and ASG with a p-value of  $0.026 < 0.05$ .

**Table 5.14: Kruskal-Wallis Test between Years of Operation and ASG**

Variables	Test	Sig. Value	N= 226 (Years of Operation)	Mean Rank of Years of Operation
<b>Years of Operation and ASG</b>	Kruskal-Wallis	0.026	103 (<5) 72 (6-10) 29 (11-15) <b>22 (16-25)</b>	113.00 113.11 113.00 <b>118.14*</b>

Source: Author's Database

Significance level at p-value  $< 0.05$

Table 5.14 shows that there were differences in the means with  $p=0.026 < 0.05$  between years of operation and ASG among the owners of MFBs. This statistically significant finding between the mean of years of operation and ASG could be explained by the fact that the more years an MFB stays in operation, the more significant the increase in its ASG performance, especially when the highest mean rank score (118.14) for the longest operating period of an MFB was between sixteen and twenty-five years, which was the circumstance of 22 owners/managers of MFBs in this study. This result can also be explained by the fact that ASG was attained due to longer experience, greater knowledge of marketing strategy, and possibly getting cheaper prices with higher profit margins in comparison with their competitors, as well as benefitting from the longer networking and trust given by their suppliers, since micro and small family business are characterised by market niche. This in line with the notion espoused by Abu Bakar (1995), Carsud *et al.* (1987) and Granovetter (1982), that entrepreneurial success and long-term survival are contributed to by a variety of factors, but especially by the close relationships and strong ties which exist between family and close friends. This kind of personal contact gives them control over a variety of business resources. Details of the statistical output are given in Appendix XIX.

### 5.10 Years of Operation and Average Employee Growth (AEG)

Table 5.15 presents the results of the mean differences between years of operation and AEG of the MFBs. Using the Kruskal-Wallis test value at 5 percent or 0.05 significance level, there were no significant differences in the mean between years of operation and AEG with a p-value of  $0.295 > 0.05$ .

**Table 5.15: Kruskal-Wallis Test between Years of Operation and AEG**

Variables	Test	Sig. Value	N= 226 (Years of Operation)	Mean Rank of Years of Operation
Years of Operation and AEG	Kruskal-Wallis	0.295	103 (<5)	111.50
			72 (6-10)	114.64
			29 (11-15)	115.40
			22 (16-25)	116.64

Source: Author's Database  
Significance level at p-value  $< 0.05$

Table 5.15 shows that there were no differences between the means, with  $p = 0.295 > 0.05$ , between years of operation and AEG among the owner of MFBs. This result was expected since most of the owners/managers of MFBs in this sample preferred to manage their business by themselves, or if they had employees their employees were related to them and working part-time, so given this characteristic of micro and small businesses, it is inevitable that there will be patterns of growth for AEG of MFB, as we have seen in the literatures, because the unique feature of a family business is employing siblings, family members or extended family members as family helpers with little or no pay (Vallejo, 2009; Heck and Stafford, 2001; Danes *et al.*, 1999; Olson, 1999; Zuiker, 1998). Details of the statistical output are given in Appendix XX.

### 5.11 Spearman's Rank Order Correlation

Spearman's Rank Order Correlation, or 'rho', is a non-parametric alternative to Pearson's Product-Moment Correlation. It is used to explore the relationship between a group of continuous variables by calculating the direction and the strength of that relationship. The direction of the relationship between variables can be inferred by looking at either a positive or a negative sign in front of the 'r' value. Alternatively, by looking at the scatter-plot, the

relationship at least between two continuous variables can be observed if a line is drawn through the points either from left to right or from up to down. An upward trend indicates a positive relationship such as ‘a high score on X is associated with a high score on Y’, while a downward line suggests a negative correlation such as ‘a low score on X is associated with a high score on Y, in which there appears to be a negative correlation. The strength can range from -1.00 to 1.00, which indicate a perfect negative and a perfect positive correlation respectively, while ‘0’ indicates no correlation or no relationship at all. Some authors have suggested that making an interpretation on the strength of the relationship: ‘r’= 0.10 to 0.29 (or -.10 to -.29) is considered to represent small strength; ‘r’= 0.30 to 0.49 (or -.30 to -.49) medium strength, and ‘r’= 0.50 to 1.00 (or -.50 to -1.00) large strength. Furthermore, ‘r’ is also calculated to get the coefficient of determination which means squaring the ‘r’ value (multiplying it by itself), then converting it to a ‘percentage of variance’ by multiplying it by 100 to move the decimal point to the right (Pallant, 2005; Cohen, 1988). Table 5.16 illustrates the variations in direction and strength of groups of continuous variables in this study.

**Table 5.16: Spearman’s Rank Order Correlation between Groups of Continuous Variables**

<i>Spearman’s rho</i>	<i>FBC</i>	<i>PAT</i>	<i>UA</i>	<i>EO</i>
<b>FBC</b>	1.000	<b>0.584**</b>	<b>0.230**</b>	<b>0.368**</b>
<b>PAT</b>	<b>0.584**</b>	1.000	<b>0.283**</b>	<b>0.471**</b>
<b>UA</b>	<b>0.230**</b>	<b>0.283**</b>	1.000	<b>0.499**</b>
<b>EO</b>	<b>0.368**</b>	<b>0.471**</b>	<b>0.499**</b>	1.000

Source: Author’s Database

\*\* Correlation is significant at the 0.01 level (2-tailed); n=226

Table 5.16 shows that there were twelve correlations with positive directions among the groups of variables when the significance level is 0.01 or 1 percent, which is stronger than the traditional significance level which is usually set at 0.05 or 5 percent. Of the twelve correlating associations among the four variables, only three variables were sufficiently important to explore and explain the relationship and association between them, namely, FBC on EO which had a medium-positive correlation between two variables [r=0.368, p<0.01]; PAT on EO had a medium-positive correlation between two variables [r=0.471, p<0.01]; and UA on EO also had a medium-positive

correlation between two variables [ $r=0.499$ ,  $p<0.01$ ]. However, the coefficient of determination found by taking the ‘r-square’ and multiplying it by 100 results in  $r=0.499$ , indicated that UA helps to explain nearly 25 percent of the variance in the respondents’ scores on the EO, followed by PAT which accounts for nearly 22 percent variations in EO, and FBC explains only 14 percent of variations in the EO. All four dimensions have contributed towards a positive direction in EO. Details of the statistical output are given in Appendix XXI.

We shall not discuss the finding presented in this chapter separate from those will be presented in qualitative findings Chapter 6 which covers both ethnics, since the main aim of this study is to identify particular characteristics among the MFBs and CFBs in the Klang Valley’s area. Therefore, the principal discussion of the main findings will be combined in Chapter 7, after all the findings have been presented.

## **5.12 Conclusion**

This conclusion to Chapter 5 only attempts to answer partially this research question since there will be a further analysis in Chapter 6 of the qualitative research findings before we synthesise them together in Chapter 7. The question addressed is:

How does Malay micro-and small-sized family business culture (MFBC) affect a firm’s long-term survival?

This research question seeks to fulfil the aim and objective of this research by exploring empirically within MFBC the set of peculiar characteristics and dynamics of long-term family business survival.

Of the respondents, 55.4 percent had been operating their businesses for more than five years, the remaining 45.6 percent were MFBs who have survived the first three critical years, thus all the samples had been in business for at least three years and had therefore achieved short-term survival, and some of them were in a comfort zone, having achieved many more years. The major findings in this part of the study are the principal business challenges faced by MFBs, and particularly the three which they ranked top: strategic business location, access to business capital, and the availability of credit facilities, which had become at one point the main reasons for the failure of micro- and small-sized family business in reviewing previous literatures for

both categories. By appreciating their customers was one of the key factors enabling them to achieve long-term survival. The statistical tests had significant mean differences between EO and gender, and between the number of years of operation and both UA and ASG, and gender and the culture of family business showed moderate levels of UA and ASG.



## CHAPTER 6

### STUDY 2: QUALITATIVE RESEARCH FINDINGS

#### 6.0 Introduction

This chapter explores the qualitative data acquired from the in-depth interviews during the fieldwork carried out in the Klang Valley between February and March 2010. Although the qualitative research was carried out before the quantitative data were acquired between April and June 2010, the intention of the interviews was to serve as a pilot study for the fieldwork and thus to help to formulate a more meaningful survey instrument. For the purpose of analysing the findings of these two methods of studies, however, the quantitative data have been presented first, followed now by the qualitative data. Qualitative data can be extremely valuable for identifying patterns among respondents and associations between factors on the ground, thus offering richly descriptive reports of individual perceptions, attitudes, beliefs, views and feelings, which enables the investigator to experience wider overall observations while conducting in-depth interviews with respondents. Since there is no straightforward case methodology for evaluating organisational culture (family business culture in this study), and bearing in mind that family business culture is formed by beliefs and values rooted in an organisational culture, or by individual values, previous empirical studies have taken into account ‘attitudes’ and ‘opinions’, or rather ‘behavioural actions’, as a basis as far as culture, belief and values are concerned, so an in-depth analysis for an entire business entity, and its rules and rituals at organisational level (Korainen, 2002), as a grounded research methodology is one of the best methods of cultural assessment (Strauss and Corbin; 1990; Glaser and Strauss, 1967). This method of studying a business entity’s culture seems contradictory and inappropriate if a questionnaire survey were the only method of validating and deriving the outcomes of organisational culture (Klein, *et al.*, 2005). Thus, using in-depth, face-to-face interviews as part of a combined methodology for a cultural study will result in a more conclusive study.

Apart from this consideration, the main aim of conducting research through interviews is to explore another person’s individual perspective. Patton (1990) stated that:

We interview people to find out from them those things we cannot directly observe. We cannot observe feelings, thoughts, and intentions. We cannot observe behaviours that took place at some previous point in time. We cannot observe

situations that preclude the presence of an observer. We cannot observe how people have organized the world and the meanings they attach to what goes on in the world. We have to ask people questions about those things. The purpose of interviewing, then, is to allow us to enter into other person's perspective.

In the process of acquiring the interviewees' views, and information on related issues, the researcher in the current study was obliged to observe the ethical implications involved, so an Informed Consent Sheet was given to each interviewee asking for voluntary participation in the in-depth interview in return for the researcher's promise that every care would be taken to maintain the interviewees' anonymity as well as that of the agency to which they were attached. This chapter seeks to answer the second and third research questions which are restated below:

What are the entrepreneurial orientation practices and cultural differences between Malay and Chinese micro- and small-sized family businesses for the firm's long-term survival?

What are the relationships between government intervention (or affirmative action) policy on the survivability of Malay family businesses?

The qualitative research data discussed in this chapter will be used to answer these research questions by means of an iterative process, which means weaving the data collected through the interviews across multiple case studies and the theory previously expounded.

## **6.1 In-Depth Interviews with Family Business Respondents: Demographic Characteristics**

It should be noted that none of the five Malay entrepreneur respondents who were interviewed were listed in the MARA Directory 2010, since it was the intention and purpose of the interviews to approach entrepreneurs from outside the MARA directory to get different views especially from those who were not supported by the MARA or any government agencies but able to survive longer. Each interview which was audio-taped with their permission lasted between twenty minutes and one hour and most of the interviews were conducted on the interviewee's own premises since most of them found it difficult to be away from their own premises during the working day. This meant, however, that various interruptions occurred during the interviews, especially when their mobile phones or the firm's land-line phones were used by their customers or suppliers, although this did, in fact, enable the investigator to observe the true picture of how a small family business really operates. An appointment was made prior to each interview and the

respondents were informed that they were under no obligation to participate in the interview. Four potential participants declined to participate because their commitment to their daily business operation meant that they could not find a suitable time to be interviewed. Upon the cancellation of each of these appointments, the researcher had to set up another appointment with a different participant and had to convince a new potential interviewee to participate. Within the four-month period allocated for fieldwork in Malaysia, therefore, this situation caused the interviews to be delayed a few times and extended the time-frame for the field-work.

Eventually, a total of ten respondents were interviewed; eight were among micro and small family business owners/operators, four from each of the two ethnic groups, Malay and Chinese (and one of the Malays had experience of two separate businesses) are in the current businesses. Apart from that, an additional two others were representing of each ethnic group already retired and exit from operating businesses. Two experts in ethnic family businesses are also representing each ethnicity. The involvement of two experts in micro- and small-sized ventures was intended to provide a clearer view of contemporary issues affecting family businesses, since this is a little-known realm in the Malaysian context in terms of both previous literatures and empirical evidence. Both of the experts had parents who were involved in family businesses during their upbringing, and were therefore well aware of the business operations, but they had chosen not be involved in the business but had opted instead to pursue academic careers. One was a professor in one of the prominent universities in Malaysia and the author of many books on Malay small businesses, while the other was a former lecturer who was now actively involved in authoring many books on how the Chinese in Malaysia conduct a business, and he was also actively involved in one of the prominent non-profit organisations in the same field. Table 6.1 shows the profiles of the ten participants and details of the seven micro-sized and four small-sized businesses which they represented.

**Table 6.1: The Demographic Characteristics of each Family Business participating in the Interviews**

No	*Ethnicity of Respondent	Size of Entity (No. of Employees)	Age	Type of Business	Religion	Years in Business	Start-up Reason ('Pulling', 'Pushing' or mixed)	Number of Generations in the Business
1.	Malay 1 (M1)	Small	40	Petrol Station	Muslim	10	Being Rich (Pulling)	First
2.	Malay 2 (M2)	Small	57	Maintenance Contractor	Muslim	12	Voluntary Separation Scheme (VSS) (Mixed)	First
3.	Malay 3 (M3)	a) Micro b) Small	52	a) Grocer b) Noodle Maker	Muslim	a) 23 b) 23	Main income source (Pulling)	Second
4.	Malay 4 (M4)	Small	40	Animal Breeding	Muslim	7	Self-employed (Pulling)	First
5.	Chinese 1 (C1)	Small	37	Restaurant	Muslim (Convert)	8	Generate more income (Pulling)	First
6.	Chinese 2 (C2)	Micro	58	Watch Seller	Buddhist	30	Main income source (Pushing)	Second
7.	Chinese 3 (C3)	Micro	45	Grocer	Buddhist	20	Main income source (Pushing)	First
8.	Chinese 4 (C4)	Micro	43	Electrical Appliance	Non-Believer	35	Main income source (Pushing)	Second
9.	Malay Former Family Business (Exit-M)	Micro	72	Grocer	Muslim	20	Main income source (Pulling)	EXIT (As Founder)
10.	Chinese Former Family Business (Exit-C)	Micro	65	Bicycle Sales & Service	Buddhist	30	Main income source (Pulling)	EXIT (As Founder)

Source: Author's Database; \*n= 10 family business owners (8 Current Businesses + 2 Formerly in Business)

Analysis of the data acquired from these in-depth interviews with five Malays and five Chinese entrepreneurs is arranged according to the selected themes listed below. For the preservation of their anonymity, the four current Malay entrepreneur respondents will be referred to as M1, M2, M3 and to M4, and C1, C2, C3 and C4 refer to the Chinese current entrepreneur respondents. The two entrepreneur respondents who were the founders and no longer in a family business and

had left any form of business and retired are labelled XM and XC respectively, making a total of five entrepreneurs for each ethnic group. All ten respondents had operated their family businesses for at least seven years, which was the demarcation for long-term business survival set for this thesis comprising micro- and small-sized businesses (Storey and Greene, 2010).

**Table 6.2: The Demographic Characteristics of Experts, State Legislators, Policy Makers and Bankers who were Participants in Interviews**

No	Respondent*	Short-Form	Position and Institution	Remark
1.	Malay Expert	Expt-M	Professor of Malaysian University	Scholar of Malay Businesses and author of related books <i>(Parents were in family business)</i>
2.	Chinese Expert	Expt-Ch	Freelance Business Consultant and Prolific Writer on Ethnic Businesses	Scholar of Chinese Businesses and author of related books <i>(Parents were in family business)</i>
3.	Politician	Pol-Rul	State Legislator of Government Ruling Party	Involved in Business before joining politics
4.	Politician	Pol-Opp	State Legislator of Opposition Party	Involved in Business before joining politics
5.	Policy Maker	PM1	Senior Official of the Ministry	Policy Maker of the Ministry
6.	Policy Maker	PM2	Senior Official of the Ministry	Policy Maker of the Ministry
7.	Commercial Banker	CB	Senior Officer of Loan Department	In charge in Loan Approval
8.	Government Banker	GB	Branch Manager	In charge in Loan Approval
9.	<i>Bumiputera</i> Credit Agency	BCA	Senior Officer	In charge in Loan Approval
10.	Government Micro Credit	GMC	Senior Officer	In charge in Loan Approval

Source: Author's Database;

\*n= 10 participants who were non-entrepreneurs

Table 6.2 shows the interviewees who were not family business owners. Two were experts in the Malay and Chinese family business domain in Malaysia and were interviewed in order to confirm the previous and current scenarios of Malay and Chinese family businesses. The Malay expert was a professor in one of leading universities in Malaysia as well as the son of a former

small family business operator and a prominent writer on Malay businesses. The Chinese expert was also an academic, a prolific writer and the son of a Chinese coffee-shop family business owner. These two experts from each ethnicity will be labelled 'Expt-M' and Expt-Ch' to signify the Malay and the Chinese expert respectively. The views of these two experts served to validate the real scenario as it happens on the ground in micro- and small-sized family businesses in Malaysia. This validity is important in terms of the observation, identification and measurement of what a family business is, while internal reliability in this qualitative study is achieved by what LeCompte and Goetz (1982) called 'inter-observer consistency', which they defined as having more than one observer, or research team members, who agree what they really see and agree on the reality of the subject being approached, as was applied in this study (Bryman and Bell, 2007). Thus, by and large, the experts' views in this study have increased its validity and internal reliability.

## **6.2 Data Analysis: Nvivo 8.0 Software and Thematic Analysis**

The themes presented below were selected according to thematic analysis techniques described in sub-section 4.9.2 of Chapter 4. This is a method for identifying, analysing and reporting patterns, or themes, within the data. It also enables the data set to be organised and described in rich detail by allowing the researcher the flexibility to determine what constitutes a good theme and to avoid rigid and restricting rules (Braun and Clarke, 2006; Boyatzis, 1998). To analyse the data, the researcher used Nvivo 8.0 rather than Atlas T.I. for the simple reason that during the four months of data collection in 2010, the only software available in Malaysia was Nvivo 8.0. Both of these software programmes only help in data management, especially categorising into concepts, categories (through open coding, axial coding and selective coding) and themes, leaving the interpretation of the data to the researcher's consideration between data and theories (Bryman and Bell, 2007). Nvivo 8.0 conceptually follows the steps proposed by the Grounded Theorists (Glaser and Strauss, 1967; Strauss, 1990), but it was not the intention of the researcher to ground since the data were inappropriate and too limited in quantity to be considered to be grounded and theoretically generated. Thus, thematic analysis was the method chosen because it simplifies the process of generating the themes. Bryman and Bell (2007) criticised grounded theory on the basis that it is somewhat doubtful whether grounded theory in many instances really is a theory, and although some claim that it is a rigorous approach to generating concepts,

it is often difficult to see the theory because those who use it are concerned with the specific social phenomenon being researched and not the broad range of phenomena.

### **6.2.1 Steps in Nvivo 8.0 Data Analysis**

The methods of using Nvivo 8.0 software for creating themes are described next. Each interview produced 'Interview Notes' (IN) varying from seven to twenty pages depending on the length and richness of data acquired, and these IN were restructured during the process of transcribing the interview data from audio-taped verbatim-style to text-style by assigning each different answer to similar questions posed to each of ten entrepreneurs and ten non-entrepreneurs (experts, policy makers, bankers and legislators) who were interviewed. The questions posed were semi-structured; for example, for the two expert interviewees, the questions posed were different to those put to the entrepreneurs, because for the two experts, the questions were about more fundamental issues of culture, belief and entrepreneurial practices of the two different ethnicities. Therefore, after the transcription process, the IN were considered to form a well-structured document before being uploading to Nvivo software version 8.

**Figure 6.1: Sources of Internals Data of each Transcribed Interviewees' Process**

Name	Nodes	References	Creat	Created B	Modified	Modified
Chinese Expert Responde	98	98	2/3/2	1	2/5/2011	1
Malay Expert Respondent	58	58	2/3/2	1	2/6/2011	1
Respondent1_Melayu_N	52	52	2/3/2	1	2/7/2011	1
Respondent1_Chinese_L	54	54	2/3/2	1	2/10/2011	1
Respondent2_Chinese_C	49	49	2/3/2	1	2/10/2011	1
Respondent2_Melayu_Is	42	42	2/3/2	1	2/8/2011	1
Respondent3_Chinese_	19	19	2/3/2	1	2/10/2011	1
Respondent3_Melayu_Ha	43	43	2/3/2	1	2/8/2011	1
Respondent4_Chinese_L	42	42	2/10/	1	2/10/2011	1
Respondent4_Melayu_He	42	42	2/3/2	1	2/9/2011	1

Source: Author's Nvivo Database

Codings were created on the basis of context, definition, perspectives, way of thinking or views, process, activities, events, strategies, relationships and social structures, and method (Bogdan and Biklen, 1992) and had to relate to one another in coherent ways, be relevant to this study, and be part of the overall governing structure. Each 'Central Node', the same as an 'Open Coding' as termed by Strauss, (2003:27) or a 'First-Level Coding' as termed by Miles and Huberman, (1994: 57) was used to refer to the twenty interviewees separately, namely, Expt-M (Malay Expert), Expt-Ch (Chinese Expert), M1 (existing Malay Entrepreneur 1), M2, M3, M4, XM (exit Malay entrepreneur from family business), C1 (existing Chinese Entrepreneur 1), C2, C3, C4, and XC (exit Chinese entrepreneur from family business) which Nvivo 8.0 software terms as 'Free Nodes'. A 'node' in Nvivo software is a set of conceptual terms that the one could code at (Edhlund, 2008).

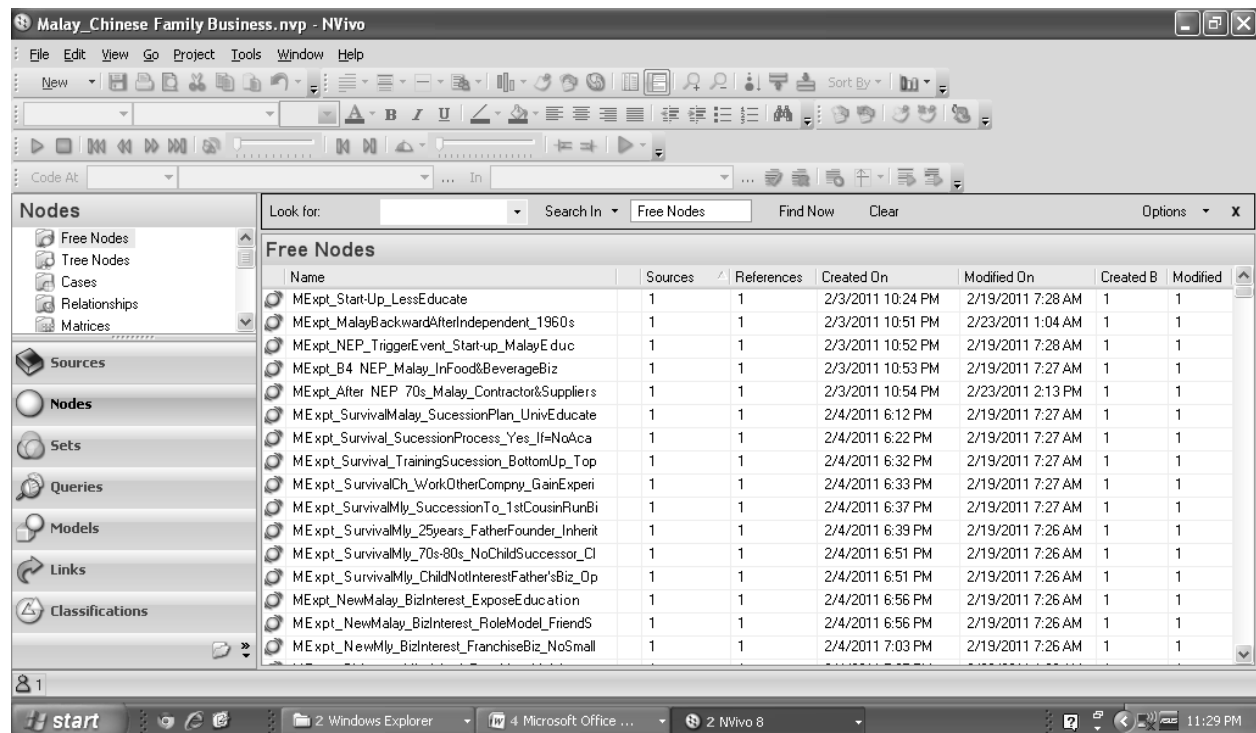
Techniques for naming or labelling an 'Open Coding' (or Free Node) can be derived from two sources namely, A 'Priori Codes' and 'Empirical Codes' (Gibson and Brown, 2009: 132-133). The former is formulated through exploring a particular issue or is in the form of one's research



question or interest (in my case, for example, the creation of a ‘Free Node’ label ‘Survival’ was because we explored this base in our research questions and in the supporting literature), while the latter are developed through the exploration of the data.

In terms of developing an appropriate number of codings, Gibson and Brown (2009:135) proposed three productive guidelines on questions for qualitative research and the coding development process: first, ‘What are the main areas of interest, or themes’ instead of asking: ‘How and why do researchers develop codes?’; second, ‘What kind of picture am I developing through my categories and codes?’ instead of asking: ‘How many codes should I create?’; and finally, ‘What is the relevance of this code to my research question?’ or ‘What is the relationship of this code to my initial conceptualisation of the phenomena I am exploring and how does it help me to understand what I am seeing?’, instead of asking: ‘What counts as a good code?’ or ‘How do I know if a code is relevant or not?’. Figure 6.2 displays the process of Free Node.

**Figure 6.2: Free Nodes or Open Coding Process**



Source: Author’s Nvivo Database

An example of one of my ‘Open Codes’ (a Free Node) of Figure 6.2 from one interviewee is:

MExpt\_SurvivalMalay\_SuccessionPlan\_UnivEducated

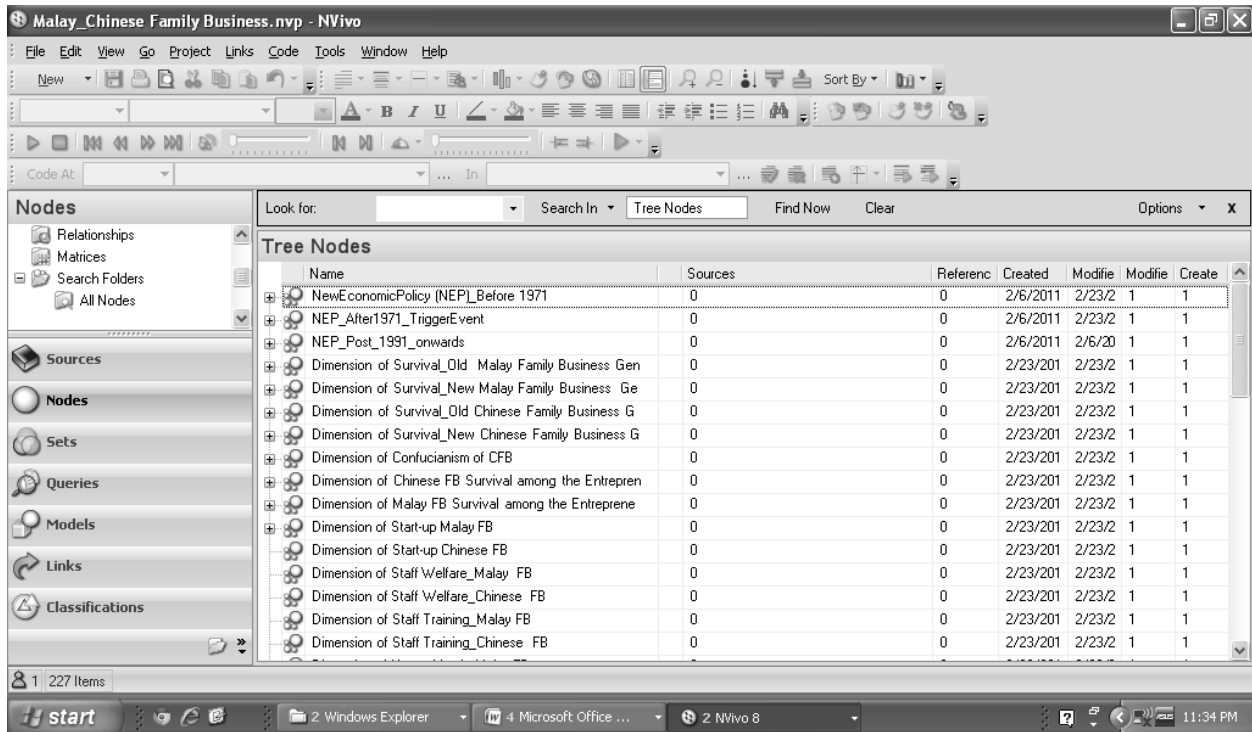
This coding is explained as follows:

The source here is the Malay expert participant. From the Malay expert's transcript source, the coding under the category 'Survival Malay' was developed as a 'Descriptive Code' (a term coined by Miles and Huberman, 1994:57) as the 'First Level Coding'.

'SuccessionPlan' is considered a sub-code to explain an action or attribute a class of phenomena to a segment text (Miles and Huberman, (1994:57), and 'UnivEducated' is a sub-code of 'SuccessionPlan' to explain an issue such as 'Under what condition will a Malay successor inherit his father's family business?' 'UnivEducated' helps to explain that for the new Malay generation after the introduction of the NEP in 1970, it became an affirmative action to succeed to the family business if the successor is a graduate, unlike before the NEP policy, when only those who were unsuccessful academically would inherit their father's business because doing business was the only way to secure a living. This 'UnivEducated' category serves as an 'Interpretive Code' of 'First-Level Coding' (Miles and Huberman, 1994:57). The creation of a sub-code in the 'Free Node' makes the process of conducting thematic analysis (Gibson and Brown, 2009: 128-129) easier by examining three general sets of thematic analysis: 'Examining Commonalities' by finding commonalities in the data pool, 'Examining Differences' by finding peculiarities and contrasts within a given data set, and 'Examining Relationships' by looking at the ways different code categories relate to each other, or how particular individual characteristics or differences associate to general themes.

Strauss (2003: 81) highlights the coding paradigm in the coding procedure as one of the rules of thumb for relating all categories in the text as specifically and variably as possible to their conditions, consequences, strategies and interactions. This happens at the later stage of the 'Tree Node' which combines all 'Free Nodes' of interviewees sharing the same categories of properties. Sub-codes in the 'Free Nodes' which are marked with the under-score symbol ( \_ ) help to explain a situation or phenomenon and act as a description of each text highlighted (Miles and Huberman, 1994:57). Nvivo 8.0 software has the capability to combine all participants under one coding family, namely the 'Tree Node'. The 'Tree Nodes' will combine all related issues/topics/actions/occurring interactions under each concept emerging from the 'Free Node' as illustrated in Figure 6.3.

**Figure 6.3: Example of Tree Nodes Process**



Source: Author's Nvivo Database

For example, from my 'Tree Node' of Figure 6.3, the following dimensions were derived:

- 1) Dimension of Survival in the Old Malay Family Business Generation;**
- 2) Dimension of Survival in the New Malay Family Business Generation**

These two 'Tree Nodes' are combinations of all related interviewees which explain similarities or dissimilarities in the way which a succession plan takes place in two different generations, the Old Malay and the New Malay generations. As previously stated, it is not the intention in this study to produce a new theory (grounding the theory) from Nvivo 8.0, but rather to use it as a data management technique to produce themes for further analysis. Thus, we have shown the process of how Nvivo 8.0 works on data management and the steps and terminologies used in the software followed exactly and in tandem with the grounded theory terms. The reason for using this software is merely for data management, so once themes are derived as in the following sections and sub-sections, we stop using Nvivo 8.0 as a data manager.

### **6.3 Extent of Family Capitalism Start-Up**

In developed nations, the business system of a nation obviously represents a major social and economic resource for the population. It is a source of goods and services for consumers, of jobs for the labour force and of opportunities for entrepreneurs. However, the business system of multi-racial Malaysia is a resource in which the Malays participate mainly as consumers and as workers but very little as entrepreneurs, and even less as successful entrepreneurs. Before the NEP was introduced in 1971, while the Malays constituted more than 50 percent of the total population of Malaysia, they accounted for only 2 percent of the nation's total ownership of the share capital of limited companies (Abdul Aziz, 1981). This gap in ownership has been a problem of increasing concern to Malaysia's leaders. They feel that non-Malay control of commerce and industry is a major source of racial tension and that its continuation would inhibit Malays from becoming full partners in the economic life of the country. They believe that this factor is a major cause of wide racial inequality in the distribution of income and that it contributes to the present employment imbalance. Malay leaders hold the view that adequate control of the business system is an important means to social and economic advancement for their community.

It is a fact that many Malaysian small businesses, run by both Chinese and Malays, are family-dominated businesses. The concept of the family business contributes to family-dominated ownership, and to easy daily operation, coordination and management. The receptiveness and exposure of overseas Chinese in Malaysia to modern business practices was somewhat enhanced by their relatively high levels of urbanisation and education. The process of urbanisation has had the result of exposing them more to the influence of education and the mass media, and bringing them more into contact with European businesses and business practices compared with the Malays, who are later starters in the modern business world. The Malays, with their essentially rural background, are, by contrast, more familiar with traditional crafts and subsistence agriculture, and therefore they tend to be left behind in the modern business and economic mainstream of the nation (Abdul Aziz, 1981). The domination of the Chinese community in family businesses in Malaysia was further expressed in the interview with the commercial bank (CB) officer when he defined the family business in the context of Malaysia as follows:

Family business is a business set up by the father or mother of the family unit, and run by his siblings. Usually the characteristics of the type of business they venture

into is a basic business, retail trade, micro-agriculture and small industry. For the past ten years, the loan provided by the bank for family businesses has been RM100,000 (GBP20,000) with a five-year repayment period and monthly instalments of RM700 (GBP140). It has already increased compared with the 1980s to 1990s when the amount of financing was relatively small, i.e. RM20,000 (GBP4,000). The increase of the loan to RM100,000 (GBP 20,000) is a sign of the growth of family business activity in Malaysia. [...] Most of the applicants are Chinese. In a commercial bank we do not really disburse a loan at the very early stage of start-up when the owner cannot prove to us that he is running the business physically. (CB)

Earlier scholars in entrepreneurship such as Gartner (1985), Timmons (1986) and Bird (1989) found that past working experience, as well as entrepreneurial parents, age and education have a significant relationship with entrepreneurship ventures. The current researcher found similar links from the interviews held in Klang Valley on the reasons for starting up family capitalism.

### **6.3.1 Previous Job-Related Experience**

Previous experience of being an employee in one firm or company boosts confidence for some of the owners of small family businesses for their own start-up. MFB respondent (M2) had benefited from the compensation he was offered under the voluntary separation scheme (VSS) while he was working in an MNC company in Kuala Lumpur; he said:

I was involved in this business since 1998 after leaving an MNC company when I was 45 years old. I had been working there for 21 years after I finished my diploma and have experience related to this business in terms of knowledge, and interest in this business, network and capital. (M2)

A similar experience was shared by CFB respondent (C1) while working at a beverage company, and the motivation to start up his own family business in the restaurant segment (food and beverage) came into his mind although he was highly educated in accounting; he said:

Running my own business is giving me satisfaction rather than working for people, because if we are hardworking, we will get more profit, but it is not the same case when we are working for someone else. I was with the beverage company for two years after completing my Bachelor in Accounting from England. (C1)

Skill plays an important role even though a new business owner does have a tertiary education qualification, because having a specific set of knowledge, skills and capability encourages him to venture into businesses in the same segment in which he previously gained experience while working as an employee in his uncle's shop. The CFB respondent who had left the family business (XC) stated:

After I finished secondary school, at the age of 20, I worked with my uncle as his assistant in a bicycle sales and maintenance shop. I worked there for almost three years until I got to know all the suppliers of parts for my uncle's shop.  
(XC)

Among the interviewees, previous job experience prior to embarking on an entrepreneurship venture led to a successful family businesses. The successful entrepreneur possesses high levels of 'self-efficacy', which can be defined as "the strength of an individual's belief that he or she is capable of successfully performing the roles and task of an entrepreneur" (Chen *et al.*, 1998). This is created by their internal locus of control and rooted firmly in their need for achievement and is therefore more than just self-confidence (Burns, 2007).

### **6.3.2 Sources of Start-up Capital**

When initiating a family business, it is suggested that start-up capital does not seem a big problem since family members may be likely to provide financial resources through outside sources of earned income in terms of material support, encouragement and emotional support, and instrumental support in the form of knowledge or physical assistance in order to help a family business to survive. Therefore, the family system becomes a source of support that can help a family business to overcome adversity and social changes (Simon and Hitt, 2003; Procidano and Heller, 2003).

#### **6.3.2.1 Own Savings**

The pattern of own savings among family business start-ups varies, whether it was simply savings from salaried income from being an employee or from compensation under a separation scheme or borrowing from family members. M1 stated that his working capital was the savings

from seven years of wage earning. It emerged that he had decided to venture into business less than five years previously, when he said:

My working capital was taken from my savings account which I accumulated while I was working under someone else for seven years. (M1)

While M1 stated that he had planned for self-employment, M2 stressed that he had had a similar attitude to venturing into business but lacked the start-up capital to do so. When he was offered VSS compensation because his company had been badly affected by the Asian financial crisis, he grabbed the offer and subsequently thrived in his business as a building and maintenance contractor:

I managed to collect the capital through the VSS offered to me and I have managed to survive for eight years in this field. Actually, I was interested in venturing into this business but the financial constraint prevented me until I received the VSS compensation. Other financial sources were remortgaging my house on which I had settled the payment, and also an overdraft when my business was expanding well and I needed a large capital injection after eight years in this business. (M1)

The CFB had benefited much from their family members, including their parents who were already in the business, compared with the MFB in terms of start-up capital. An example is C1, who had been lent money to add to his savings from when he had been working as wage-earner. Since he was the youngest of four siblings, his brothers were all business owners as well:

I got the business capital from my savings account and my family lent me some of the money I needed. I am the youngest of four siblings. (C1)

In a similar case to C1 who benefitted by borrowing from family members, C2 borrowed directly from his father who was in the same business segment selling and repairing watches. His brothers were also in the same business while their father was still operating. C2 said:

I have been active since 1980 (for 30 years now) in this business after working as a labourer for someone else for five years and I used my savings account as capital. I did not inherit this business from my father because I owned a shop of my own. My father owned his own shop and acted as an agent selling watches from 1960 until he closed the shop in the middle of the 1980s because of health problems. Three of my siblings did open their own shops because it is possible to survive through this business. [...] My father did help me financially when I started this business. (C2)

There is a difference between the MFB and CFB in that the CFB owners did not necessarily inherit from their parents' businesses, but the sons opened their own businesses at the same time in the same business segment, as watchsmiths in this case of C2. In relation to this, in the interview with 'Expt-Ch', he confirmed this by saying:

The Chinese rarely share capital based on family ties but build up a business based on the business already built up by their parents. Later, other siblings will open their own branches. (Expt-Ch)

In the light of this, the legacy of the CFB tradition in Malaysia exists for much longer than for a MFB. It has been said that Chinese young people begin to learn the language and business system procedures as routinely as they learn to ride a bike in very early childhood (Abdul Aziz, 1981). Most small-business start-ups require a broad range of resources and acquiring these can be a problem because of the lack of credibility of the nascent entrepreneurs. More importantly, the start-up needs to be thought through by organising a business plan as a vital tool and keeping the overheads as low as possible, and the break-even point for successful capital turnover (Burns, 2007). Therefore, CFB have a tradition of capital start-up accumulation within the circle of family members who are already in family businesses and do not solely rely upon savings from their previous jobs as the MFB do.

### **6.3.2.2 Capital Start-up by Succession to a Family Business**

Malays and Chinese who succeed to their family businesses from their parents do not have difficulty in accumulating start-up capital but rather enjoy the experience of managing a family business since they were trained in the business by helping their parents in running it, as M3, a second-generation MFB successor, explained:

I showed interest in this business since 1987, when I got the chance to take over the business and started managing the business as a registered sole-proprietor enterprise. Before that, I was helping my parents since I was thirteen years old in 1971. We were selling clothes, agricultural-based products and fruits. I was selling various kinds of things for my father at that time. The premises were inherited from my father who passed away in the 1980s. My mother handled the business until she handed it over to me in 1987 [...] I felt happy and satisfied when I helped my parents at the age of thirteen even though the wage was not much, but I was determined to inherit this business and venture into other businesses too. I



was assisting my dad for three hours daily from 2pm till 5pm and after that, I would be playing with my friends. (M3)

C4 described a similar case, accumulating capital by succession but partnering the shop with his younger brother after succeeding to his parent's business as an electrical appliance seller:

My brother and I inherited my father's business in 1990. My parents were already involved in providing a service repairing electrical items from 1980, but it was a small-scale business. Later, my father opened an electrical shop using his capital income from repairing electrical items. My father fell ill and I took over this business from him. After completing my SPM [equivalent to GCE 'O Level'], my brother and I inherited my father's business. I open the shop from 9.30am till 8pm and on weekends for half days. I am now 43 years old and my brother is 42 years old. (C4)

C4's family business was more of a joint-venture with his brother in succession to their father, and this is another form of family business venture. This contrasts with the view expressed by Expt-Ch earlier that CFB spread out in Malaysia by succession through each son (siblings of the second generation of a family business) opening up his own business. This contradictory view may be the consequence of the marriage status of the successor to a parent's business, since in the case of C4, both sons inherited from their father while they were unmarried, and therefore the joint-venture form was an easier way of accumulating capital, but in the case of C2 and his siblings, they did not enter a joint-venture family business because they were married at the time the business started and their parents were still running the business.

### **6.3.2.3 Mixture of Savings and Institutional Funding**

Only one of the ten family business respondents had received institutional funding from the Agriculture Bank (Agro Bank) as a soft loan in addition to saving his salary while working as wage-earner before he started a chicken breeding farm in the late 1990s. As a Malay entrepreneur, he benefitted from the NEP's boost for Malay small entrepreneurs in farming and smallholding under which the Agro Bank providing funding as a term-loan. M4 combined his savings from his salary and the institutional funding. He said:

I depended on my savings from my working days and applied for a personal loan from the Agro Bank to build the huts for the chickens. I managed to settle the loan in seven years with monthly instalments of RM1,700.00 (GBP340). (M4)

Funding institutions select potential candidates for business ventures. Commenting on this, the Malaysian politician whose was also a state legislator of the ruling party (Pol-Rul) said:

But for small family business activity, such grants and financial loans are still available but they depend on specific criteria. Only qualified Malays are given assistance on merit after a thorough scrutiny of their business feasibility for start-up [...] such loans and facilities are also provided for non-Malays i.e. Chinese and Indians. For instance, in my constituency, the ratio of Malay and non-Malay voters (that is, Chinese, Indians and other races) is 60:40. The Economic Fund for Entrepreneurs known as TEKUN has been provided for Chinese and Indians since the setting-up of the fund in 1998 when the country was badly affected by the Asian Economic Crisis. Other than that, in each constituency has been set up a cooperative through the Council of Parliamentary for Agriculture [the Malay translation is *Majlis Perwakilan Pertanian Parlimen-MPPP*] for entrepreneurs across the races to get loans and financial assistance. As a state legislator, I recommend all application for getting loans whether they are Malays, Chinese and Indians, as long they are Malaysian citizen. (Pol-Rul)

Start-up capital accumulation for small enterprises including family businesses is crucial and is considered the biggest challenge in the start-up stage of the four-stage model of a business life-cycle known in the literature as the Life Cycle Model originated by Organisational Life Cycle (OLC) theorists. This is the stage during which a firm could survive longer, given that over 60 percent of all new start-ups fail within a matter of months, so the first two years of starting a business are crucial. Most failures during this stage are related to managing cash flow when an enterprise runs out of money to pay employees or suppliers, or to acquire essential machinery and equipment, and at the same time employees and suppliers disappear leaving a business with no means of producing goods or service for sale (Kaloo, 2010).

Describing those loan applicants who failed to fulfil the basic criteria following the stipulated requirements for such loans, the commercial banker (CB) offered this view:

Usually the business is already being operated when they ask for the loan but is still at the start-up stage. Their net profit margin for the family business when they apply to us for a loan is almost 20 percent, but in the real situation when they operate it is between 7-15 percent . We will only disburse the loan if we are confident that the business profitability is 5 percent or more. Normally they ask for a loan to increase their turnover in the business because at the very early start-up stage for the first two to three years, they use their own funds or family savings. (CB)

Compared with a government-based credit agency such as the government micro-credit (GMC) agency whose role is disbursing loan assistance to micro and small businesses, the GMC interviewee said:

As we started in the late 1990s, we are financing micro and small businesses whether they are family based or non-family (individual). We are focusing on agro-based products such as potential cash crops nowadays, such as chilli and corn, as well as livestock enterprises such as chicken and duck breeding. Our loans range from a minimum of RM500 (GBP100) to RM50,000 (GBP10,000) with a 4 percent service charge which is to cover staff salaries and a revolving fund for the institution. Most of the applicants are from rural areas. As of today, our borrowers have reached 170,000 entrepreneurs. We easily approve a loan within 45 days based on simple criteria with no guarantor or deposit. The loans are open for Chinese applicants and Indians as well. (GMC)

While the other government banker (GB) said:

Business financing is provided in terms of fixed-assets capital such as buildings, transportation and machinery, and turn-over capital. For the start-up operator, financing is given to potential business ventures with high competitiveness and within the scope of the bank's financing criteria. As of the first-quarter of 2010, 90 percent of businesses receiving loans are Malay and the rest are Chinese representing 7 percent and other ethnicities are 3 percent. (GB)

And the *Bumiputera* credit agency interviewee (BCA) explained that:

There is no special loan for small family businesses, but all types of family businesses can apply for the scheme that caters to develop businesses provided they apply according to the criteria. As a government agency, it is our concern to promote family businesses by offering this kind of scheme. For early start-ups, a special scheme has been provided. The criteria for borrowing are [that an applicant should be] either a former [*anonymous*] college student specialising in technical education, especially those who have had experience working in the industrial sector or have attended an incubator technical programme, or a former [*anonymous*] employee who wants to retire voluntarily and has a viable business plan. (BCA)

As can be seen from the extracts from the interviews given above, the commercial bank and all three government-based funding agencies have provided soft loans for micro- and small-sized family businesses regardless of race except for the funding agency specifically for the *Bumiputera* as it is reserved under Malaysian Constitutional Law for the Malay Privilege as discussed in the Chapter 3 following the NEP implementation. It has been noted that out of the ten respondents from family businesses, only one entrepreneur (M4) had taken out Agro Bank

funding for a farm breeding business, but there is one exception who was a petrol kiosk entrepreneur (M1) whose business was funded under the franchised programme by a petrol brand, while the rest of the entrepreneur interviewees all remained at micro level and did not have any interest to take up any loans, although they had had difficulty in borrowing such loans during start-up, but were offered during their growing stage. This is evidence that all of them survived longer without taking out any institutional loans because of the fear of burdening themselves with having to repay them as a result of their resilience and thrift in using their income and profit generated from their daily businesses, and what is more interesting is that it was revealed among them that the reason for refraining from taking out a loan at their growing stage was their intention to remain 'as they are' and their unwillingness to grow further in terms of expanding or branching out their businesses. Thus, their attitude towards remaining small as micro-sized businesses shaped their behavioral reaction towards expanding the family business entity.

### **6.3.3 Marital Status and Children**

Marital status and having children have been found to be 'pushing' factors behind venturing into family-owned businesses. Most of the respondents from CFBs gave the reason which had pushed them to own their businesses as their marital status and having children to feed, while the Malay respondents did not give similar reasons. The Chinese respondent who opened a bicycle shop while he was working in his uncle's bicycle shop for almost three years and who left the businesses and retired at the age of 55 after thirty years in the business because none of his children were willing to take up his business, stated:

I expressed my intention to open my bicycle shop to my uncle as I argued to him that I would be getting married soon and that being a bicycle shop assistant could not secure my married living as it was only sufficient if I was single. My uncle agreed with my intention, so we start planning to open up my own shop in a residential area but far from my uncle's shop. (XC)

A similar pattern was found from C3, who explained that she and her husband owned the business after coming back from working in Singapore, and in order to survive after getting married they had become grocers:

My father did not own any business before I ventured in this business because he was only a farmer in the village. Initially, my husband was working in Singapore in the 1980s during the economic recession. After that, we came back to Malaysia and we managed to open a grocery shop with our savings in 1990 soon after we got married. We felt that the business was the only way for us to survive and it was the main source of our income. (C3)

Both of the Chinese respondents quoted above, XC and C3, were the first generation of family businesses with parents who were not in the business. Their socio-economic status as Chinese family immigrants to Malaysia and the fact that they were not well-educated pushed them to own family businesses in order to secure their daily rice-bowl.

In contrast to XC and C3 who were not exposing to family businesses before venturing, respondent C2 had a father who owned a family business and he got financial support for his business, so a stable and fixed income can be achieved by owning business; he explained:

After I got married, I thought that I needed a stable and fixed income. I stopped working and started my own business with support from my father. (C2)

None of the Malay interviewees gave marital status as a reason to own a family business but they viewed being in a family business as a means to achieve a higher income compared with being employed by someone else. Another factor that prevents Malays from undertaking business ventures compared with Chinese is that Chinese are greater risk takers historically than Malays, bearing in mind that earlier generations of Chinese merchants in Malaysia have been renowned for their boldness in risk-taking at the right time and in the right place (Loy, 1992), and being a disadvantaged minority they have sought to alter the *status quo*, have lacked social mobility and have been afraid of facing the prospect of losing social status, and thus are driven to taking entrepreneurial risks (Low and McMillan, 1988; Brenner, 1987; Hagen, 1962).

#### **6.3.4 Education**

In Malaysia's school education system (Education Act, 1961), students spend a total of eleven years in education, which comprises six years of primary school to qualify for a Primary Certificate or UPSR, followed by three years of lower secondary school to qualify for a Lower Secondary Certificate or PMR, and two years of upper secondary school for the Malaysian

Education Certificate (equivalent to GCE 'O' Level) or SPM. After spending these eleven years, a student can further study for matriculation (or GCE 'A' Level) before entry to university.

The respondents were asked about their education level as represented by the last formal education level they had attained from primary, secondary or tertiary education. Of the Malay respondents, three out of five respondents held a diploma or degree, while of the Chinese respondents, only one out of five held a degree, while the rest were school certificate holders.

According to M1, the reason behind his venture into business, even though he was a qualified surveyor, was to become rich compared with his uncle; he did not have a degree but had become rich after becoming involved in his business, and stressed that a higher qualification is less important for embarking on a business venture compared with working hard and demonstrating commitment. He stated:

Before I ventured in this business, I was working as Quantity Surveyor in one of the companies [...] My uncle was the person who encouraged me but he was retailing another brand of petrol. He did not have a high qualification as I do. He had only SPM (equivalent to GCE 'O' Level) but he became successful and rich, owning a bungalow and a luxury car. We do not need to have a high qualification to be successful in business. The most important thing is that you work hard and be committed. (M1)

M4 benefited from the knowledge he had attained while pursuing a degree in agriculture and environmental studies and he practised this in his current poultry breeding business. On top of that, he attended various courses in agro-based business; he said:

I did a Bachelor in Agriculture and Environment in a University. After that, I started working but was not satisfied with it. Having a chunk of knowledge in this field during my university days, I asked for technical advice from the Veterinary Department and also attended various courses in order to venture in an agricultural based business. (M4)

As a diploma holder, M2 stating that his working experience over 21 years led him to start his own business:

I had been working there for 21 years after I finished my diploma. (M2)

Although M3 held a school certificate, he had more than one business running at the same time:

The grocery shop is not making much profit but it is more to provide a service for society in order for them to trust the business that I am handling, which is a grocery shop and producing noodles. I am also networking with the Chinese who are the raw material suppliers because the noodles that I am buying are an end product. (M3)

If education level is taken into account by comparing diploma/degree holders who had spent more than fourteen years in education, one of the Malay interviewees, M3, held a certificate and had spent eleven years in the school system, but had achieved more success and survival by having more than one business entity, working as both a grocer and a noodle maker. Apart from having these two businesses at the same time, M3 had also built up a network with Chinese suppliers for raw materials.

C1 had a degree in accounting, but had followed his interest in the food and beverage (F&B) business by participating in cooking classes even though his tertiary education was not in the same area as his venture into F&B:

[...] after completing my Bachelor in Accounting from England [...] My interest in food and beverages was one of the reasons I had chosen this business as my family business. Moreover, this business is easy to set up rather than other businesses. I did not have experience when I started the business but I tried to introduce new recipes and also various types of drinks. Even my family have no experience in this business. I did participate in cooking classes informally after venturing in this business. I can say that I am a chef now. (C1)

C2 is the only respondent who, having attained primary school education, had ended his education at the age of thirteen with his father's support after working for a while:

I stopped schooling at the age of thirteen and was working as a labourer in the construction field in order to get extra income. (C2)

In the context of this research, the Malay respondents were involved in their own business after being employed by someone else, compared with Malays in the 1950s who were involved in their own businesses because they were not well-educated and with those who were educated and preferred prestigious jobs as government officials. For Malays, being an employee of someone

else is being in a comfort zone, and getting a salary in the end of the month is what makes Malays prefer to be employees rather than employers. In an interview, the Malay respondent (Expt-M) stated:

In the early fifties, most Malays who were involved in business were not well educated. The educated Malays preferred prestigious jobs as government officers, teachers and clerks, where the source of income is more stable and guaranteed. In the early 1960s, the economic backwardness of the Malays was becoming an issue of great concern among several quarters in Malaysia. With the introduction of the New Economic Policy in the 1970s, more economic opportunities were open to the Malays in order to improve their social and economic status. As a result, more educated Malays began to move into business as a source of income. (Expt-M)

In a study of small firms in Malaysia across nineteen manufacturing industries, Chen (1975) found that almost 90 percent of a total of 399 respondents had had formal education, with 43 percent at primary level, followed by 41.4 percent at secondary level and 5.8 percent at tertiary level. The remaining 10 percent had no formal education. He concluded that there is a positive but weakly correlated link between education and size of business when his survey found that nearly 90 percent of owners of small manufacturing establishments had no professional qualification or formal training but operated on the basis of experience and commonsense. That study was undertaken in the early 1970s among manufacturing owners whose education attainments in the 1960s were in line with the 1967 Socio-economic Sample Survey of Households in Malaysia (DoS, 1970); 13 percent of the population (aged six and above) in Peninsular Malaysia had no formal education, while those who had completed their schooling (about 80 percent) had only primary education of six years. The literature on family business has tended to develop the concept of 'internal education' for family members, which means the informal business management experience which they gained while they were young. At this stage, they learn about the figures of the business through informal dinner or lunch business discussions among family members (Bibko, 2003).

It became evident from these interviews that early school leavers achieved long-term survival in a family business by acquiring multi-skills in just the same way as an educated family business owner who had received tertiary education. Thus, these findings reject the two common assumptions in the entrepreneurship literatures; first, that the higher the education of the owner



the longer the survival in business (Bates, 1990), and second, that those who have achieved higher levels of education are less likely to become entrepreneurs (Kropp *et al.*, 2008; Rohana, 2006).

### **6.3.5 Motivation**

The motivation to become the owner of a family business does not come necessarily from experience of living in hardship and deprivation. In the case of M1, who had a degree and was a qualified surveyor, becoming an entrepreneur was just to become rich after seeing his uncle, who was a school leaver with only the SPM certificate, do so. He opened a petrol station with his wife and resigned from his job as an accountant in the banking sector. He explained:

My uncle was the person who encouraged me, but he was retailing another brand of petrol. He did not have a high qualification as I do. He had only SPM (GCE'O') but he became successful and became rich, owning a bungalow and a luxury car. We do not need to have a high qualification to be successful in business. The most important thing is that you work hard and be committed. (M1)

For the Chinese entrepreneur C1, having a family business was the way to achieve his ambition to be involved in the food and beverage industry and he opened up a Chinese restaurant with two branches in 2010 even though he did not have any experience in cooking, but his effort to attend cookery classes made him confident that he could make a profit. A visit back to his restaurant in 2012, two years after the 2010 interview, showed that his business had grown by opening a third branch which was within 10 km of his first two branches. He stated:

My interest in food and beverages was one of the reasons I had chosen this business as my family business. Moreover, this business is easy to set up rather than other businesses. I did not have experience when I started the business but I tried to introduce new recipes and also various types of drinks. Even my family have no experience in this business. I did participate in cooking classes informally after venturing in this business. I can say that I am a chef now. (C1)

The motivation to become rich was a main 'pulling' factor for M1 and C1 being involved in family-owned businesses. The time they spent to get a salary when they were wage-earners working for someone else previously, compared with the time they spent in a family-owned business to achieve much better profits, was what motivated them to enter this kind of venture.

The cases of M1 and C1 are in line with the literature on entrepreneurs whose starting-up was not only to build a profit-making business but a concern to provide a new product or service, showing that their behaviour involved organisational creation, the need for achievement and the propensity for risk (Gartner, 1990; Bird, 1989; McClelland, 1965). However, since C1 was a third generation Chinese immigrant in Malaysia, this finding contradicts the previous literature on the disadvantage theory and the social marginality of immigrants, who become entrepreneurs because of the barriers which restrict access to other opportunities for various minority groups, but can further explain that this phenomenon is only applicable to the first generation of immigrants to a host country (Low and McMillan, 1988; Chell, 1986).

## **6.4 Family Business Culture, Value and Ethics**

### **6.4.1 Flexibility in Work, Time and Money**

A family business is an opportunity for the owner-manager to provide job opportunities for family members, and to be able to spend more time with his children who, at the same time, can assist him by working part-time in the shop and thus generate their own income. M3 regarded that having a family business provides time for managing children, which can be extended to employees, who are also relatives. The beauty of having such flexibility can be seen in his comment:

I will take my children to school sometimes and there are times when my eldest son will take them. My relatives who are my employees also help to pick up my children from the school in the evening if I am busy in managing the business. This is the type of family business which can help you to manage the business smoothly and help your family if it is your relatives who are your employees.  
(M3)

In another case, having a family business gave pride towards achieving a personal goal besides doing other jobs simultaneously, such as managing children during extra hours. M4 spent only four hours a day in his chicken-breeding business:

Since 2003, for seven years I have been building up the enterprise because I was interested in working on my own because I do not need to adhere to instructions from other people. I also love to work on my own time. I had done research before venturing in this business where we can concentrate more on family and do our

own stuff because we need to spend only four hours a day from 2pm till 6pm to feed the chicks. That is from the day they were bought until they are sold after 35 days. [...] During my leisure time, I can concentrate on taking my children to school every day. My wife is a housewife and will help me whenever she is free by keeping an eye on the chicken house when I am busy handling other matters. I am happy to be in this business because I have extra time to be with my family rather than being in an office working from 9am till 5pm. (M4)

For C2, having a family business meant a tight schedule and high level of commitment to ensure that the business was open for ten hours per day seven days a week. C2 had spare time with his children only during their school holiday and as a reward for them helping in the family business.

I open my shop seven days a week from 9am till 7pm. I will bring my children for holidays during the school holidays because I open my shop every weekend. My wife looks after my children and also gives me a helping hand. You need to have some experience in order to be in this business because every watch has a mechanism and if we know how to fix the watch, we can provide a maintenance service for the watches even after selling them. This business needs good eyesight and focus. All the watch models have similar mechanisms in them. (C2)

Three respondents, M3, M4 and C2, gave different views on their family business experiences. M3 and M4 had time to manage their children while they were managing their businesses, in contrast with C2 who had to run his business hours seven days a week and only saw the children during school holidays. The findings show the similarity between M3 and M4 who wanted a family-owned business because it would mean more time to spend with the family, and M4 achieved a higher income while C2 did not having a higher certificate but left school at thirteen and became involved in his business venture to seek a higher income. Another difference found among them is the nature of the business they had chosen, with M3 in retail and noodle making and M4 in chicken breeding, both employing a few workers full-time and part-time outside family member to assist them, while C2 as a watch-smith had to manage by himself since a high degree of concentration and personal skill is required in watch repairing, while his children and his wife assisted the business by selling watches to customers. Thus, the nature of a family business creates differences in the application of the skills devoted to the work in terms of the level of flexibility in time, work and money.

### 6.4.2 Family Involvement, Resources and Knowledge

Family businesses undoubtedly require a variety of resources such as knowledge, skills, abilities and other attributes among the family members as the Resource-Based View theorists comprehend it (Barney, 1991). Among the MFB, M1 tapped into his wife's expertise in accounting gained while she was working in banking sector for several years, and involved her in opening up their petrol station:

My wife has a degree in finance and had been working for six years with one of the banks in Kuala Lumpur before she left and joined this business after I ventured in this business. I was confident that this business could be expanded and that her experience in finance could help me in my business. (M1)

The skills of family members were appreciated by one Malay entrepreneur and they were paid higher salaries based on their skills in producing the product, even though qualifications did not play a vital role, as the owner explained:

We can get a reasonable cost of labour from the family members as they are with us all the time if we need them. Family members will understand what to do without much fuss or problem and we don't need to follow bureaucratic procedures in hiring them. They can be easily consulted and the salaries given to them are the same regardless of whether they are your family members or not. Experience and expertise are the two factors which differentiate the salaries that they get. For instance, the noodle mixer is given a higher salary, even though he is one of my family members, because of his expertise. (M3)

M3 further explained about the involvement of relatives in family matters:

My relatives who are my employees also do help to pick my children up from school in the evening if I am busy managing the business (M3).

M3's wife was involved fully in the business, together with other relatives who were employed in the grocery shop and the noodle making. This shows that when the wife was getting involved full-time with her husband in business matters, relatives would take care of family affairs, which is congruent with Gersick *et al.*'s (1997) findings on the overlapping of the family and business components.

Resources in terms of tangible assets such as land given as collateral by a parent can also be a major contribution to setting up a business, as M4 explained:

Three acres of land in a strategic place with a good water supply was what I needed and the land was given by my parents to expand my agricultural work and bring a profit. In order to get a loan from the Agro Bank, I used the land as collateral. Buildings such as a large chicken coop need a lot of money (M4).

As well as RBV, social capital contributes to the success of family business operations in which parents' assistance given to their son(s) to develop a business has been a source of start-up capital. Furthermore, both parent and son really benefitted from the Reserved Land policy which was intended to help Malays to develop their economic activities as explained in Chapter 3. Putschueary (1960) rejected the continuation of the policy under colonial administration to reserve the land for the native Malays because of the '*nativeness*' in which they lived and because the land which surrounded their villages caused the Malays to be left behind and the value of the land depreciated. His opinion regarding the situation in 1960 is now irrelevant because fifty years have passed and in the twenty-first century the Reserved Land for the Malays has now become collateral for them to initiate their family businesses.

Survival in a family business is not necessarily inherited from a parents' family business, but the observations gathered by a son while the business was being run by his parents shape the son's view of what a family business is all about. C1 commented about his parents' business in spare-part supply and whether he had gained any experience as training for him to start-up a family business even though he did not inherit one:

Yes, but not in this business. Instead, we were doing spare parts for ships but I did not get the chance to inherit the business because the business was no more active in Malaysia at that time. However, I got the chance to observe the way they handled the business. (C1)

C1 further explained that although he set up a family business, his wife was partially involved in the business since his children were still growing and needed more attention at home rather than on the business premises.

My wife is partially involved in the business and she is giving full attention to the children. She is giving me moral support in the business. (C1)

This pattern of conflict (Gersick *et al.*, 1997; Aldrich, 1991) in running a family business is a conflict between ‘family task’ and ‘business task’. For some family business owners, the involvement of the wife in the business can be full or partial. In C1’s case, it can be seen that his wife was partially involved in the business in order to allow her time to take care of family matters. This is in contrast with M3, whose wife was fully involved in the business, while relatives-cum-workers looked after family matters, as seen in an earlier quotation.

The same scenario goes for C2, whose eldest son had helped him in the business since he was thirteen, especially during the school holidays, and had learned much about watch repairing. However, his other children knew little about the skills of the business and the youngest did not show any interest in it:

My eldest son was exposed to this business since he was thirteen years old. During the school holidays, he would help me in the shop and he learned how to repair watches and to manage this watch business. If he was going to school, he would help me for between two and three hours depending on his leisure time. Only one of my two daughters is interested in this business and knows only the basic things, such as replacing the batteries of watches for customers, but she does not know in depth about servicing watches. My son is the only who is interested in this business and he completed a diploma in electronics three years ago. He is the one who continuously helped me in the shop. (C2)

In C2’s case, the child who was exposed to the family business for longer and who spent more time on it acquired more of the knowledge and skills required in the business. C2’s children varied in their knowledge, skills and interest in the watch-repair business from the eldest to the youngest. However, the distinct difference in interest among C2’s children is between the son and the daughters, because his son showed more interest, knowledge and skills towards his family business compared with his other two children, who were daughters.

A different case can be found in C3’s children, none of whom showed any interest in their father’s business even though the family business successfully managed two businesses at the same time, a grocery shop for the past twenty years (since 1990) and a courier service agent for the past ten years (since 2000):

I have three children. The eldest son is 21 years old and the second is also a son. The other is my daughter. None of them has shown interest in this business because they feel that this grocery shop does not bring much profit and they need to be at the shop from morning till night for all the week. Young people are not interested in this business. I have to force them to help me during their leisure time. None of them is interested in this business and I am teaching them to attract customers. (C3)

The exposure of children to their family businesses does not necessarily form their interest in the businesses or make them want to succeed to their parental business, but rather it can become a night-mare for them to continue this type of business since they feel that the profit gained is not worth the time which is put into achieving it.

This trend of the 'Y' generation effect to succeed to the family business is very much a global scenario, but in case of Malaysia, Chinese family businesses are well-known for their business succession into second and third generations, compared with Malay businesses. A similar phenomenon has happened in developed countries, as found in a study by Conneally (2011) in the UK in which conflict arises. 'Generation X' consists of those who were born between 1965 and the late 1970s, known as Xers, who are more realistic, self-reliant, entrepreneurial and independent, and who view work as 'just a job', having been born during a period of economic downturn and family instability caused by emigration and the urbanisation process of moving from rural areas to new urban areas as a consequence of the economic downturn. 'Generation Y', however, or the Yers, are those born after the 1980s and who form 20 percent of the current workforce, and they have different characteristics; they are highly optimistic, idealistic and conventional, they have high expectations of themselves and are goal-driven, since they grew up with new technologies such as cell phones, the internet, blogging, e-mailing and other manifestations of information-age new media (Chen and Choi, 2008; Armour, 2005).

The Chinese Expert (Expt-Ch) explained this scenario in family businesses:

The way the old people and the young people do business has changed. The older generation have a traditional and conservative approach to business. They prefer small stereotype businesses and they do not like to take risks. For example, they are mostly in the retail trades, hardware stores, night market traders and fishmongers. They expect their children to take over their businesses. They are less educated and some of them are even illiterate. But the new generation are

better-educated, trendy, they like challenges and are confident in taking risks. They are involved in modern-style businesses such as selling handphones, computers and car accessories [...] The younger generation have not experienced difficulty in life. They come from well-to-do families or they have some inherited property. Whereas the older folks came from China and were truly poor at one time and they immersed themselves into business in order to change their lives. (Expt-Ch)

Two patterns of possible tendency among the new generation of CFB are revealed in this excerpt; first, the children of a CFB are less favourable towards becoming involved in a traditional business than their parents, but they rather prefer more trendy businesses which promise a quick profit in less time; second, the new generation has not experienced difficulty and poverty because they are the second and later generations of Chinese immigrants and are more educated, thus the social mobility of Chinese family businesses has been a barrier towards succession into the second generation of a founder's successful business.

### **6.4.3 Value, Attitude, Behaviour and Ethical Commitment**

Values are often thought of as similar to attitudes. A value refers to a single belief of a very specific kind, which concerns a desirable mode of behaviour or end-state that has a transcendental quality to it, guiding conduct, attitudes, judgement and comparison across specific objects and situations and beyond ultimate goals. On the other hand, attitude differs from value in that an attitude refers to an organisation of several beliefs around a specific object or situation (Rokeach, 1968; Katz and Scotland, 1959).

England's (1976) study was a seminal work to view the consequences and impact of values on managerial behaviour. He posited that personal value systems are a relatively permanent perceptual framework which shapes and influences the general nature of an individual's behaviour. He further argued that the significance and importance of studying value systems of managers is seen when one considers seriously the following reasonable assertions and their implications; (a) personal value systems (PVS) influence the way a manager looks at other individuals and groups of individuals, thus influencing interpersonal relationships; (b) PVS influence a manager's perceptions of the situations and problems which he faces; (c) PVS influence a manager's decisions and solutions to problems; (d) PVS influence the extent to which a manager will accept or will resist organisational pressures and goals; (e) PVS influence not



only the perception of individual and organisational success, but their achievement as well; (f) PVS set limits for the determination of what is and what is not ethical behaviour by a manager; and (g) PVS provide meaningful levels of analysis for comparative studies among national and organisational groupings of individuals.

Values are part of the three major constraints on managerial action. In addition to the limits of skills and power and the limits of rationality, there are limits imposed by the institutionalised role surrounding the manager, among which are the values of the organisation's multiple constraints. An individual's desire to express his idealised central values is one of four basic types of motivation, presumably by enhancing his feeling of self-worth, and possibly leading to association of these values, behaviours and feelings of self-worth with the attainment of unit and organisational goals (Albanese and Vanfleet, 1983; Katz and Kahn, 1966).

A set of values practised by family business entrepreneurs of both ethnicities, Malay and Chinese, can be described as follows:

#### **6.4.3.1 High Level of Commitment**

M2 commented on how high commitment is needed in his industry:

Retailing petrol is a 24-hour business and at times, I have to go to the petrol station at 3am and my wife and children understand that and give me full support. As far as I know, in the retail petrol business, no matter what is the brand you need 100 percent support from the family because it does not involve outsiders but only your family since it involves a lot of cash. [...] In a family business, the most important thing is commitment by the family members in expanding the business. (M1)

C2 added further elements to characterise high achievement:

I have been renting this shop for 30 years because the landlord refused to sell the land till now. The landlord is also increasing the rent every year but the price of watches is decreasing and that is the reason I have to open this shop seven days a week. My wife is helping me by providing suggestions and recommendations for this business. (C2)

Commitment in MFB and CFB was shown by the loyalty of the owners towards their firms which in turn strengthens ties between family members because of their emotional attachment to the

firm, and leads to longer survival for family firms (Vallejo, 2009; Lee, 2006; Meyer and Allen, 1991).

#### **6.4.3.2 Trust**

Trust was regarded by M1 as a single value while others such as C4 regarded trust along with hard work and honesty, commenting:

Not all the staff are my family. All kinds of businesses are exposed to risk and this is something we cannot avoid. Therefore, we need to trust the workers who are not from our own family. If we don't trust staff that are not from our own family, we cannot venture into any kind of business just because we are reluctant to trust others. We have to always keep an eye on our staff by sharing the things that we dislike and reminding them so that they won't repeat the same thing again. (M1)

#### **6.4.3.2 (i) Hardworking and Honesty**

Hard work, honesty and trust are the main components and motto for my business. The price of electrical appliances will decrease every year and if there are stocks left over from previous purchases, it means we already encountered loss. There are eleven more shops nearby and hypermarkets which are selling electrical appliances cheaper than us. (C4)

Trust shown by both MFB and CFB served as a channel for creating a better environment between owners and employees, especially among non-family members. Trust is a relationship-based system considered more effective and more successful in the long-run family businesses, creating a healthy working environment (Vallejo, 2009; Shaw, 1997; Taguiri and Davis, 1991)

#### **6.4.3.3 Strong Bonding in the relationship between Employer and Employee**

M1, M2 and C2 had three different ways of explaining their close rapport with their employees:

There is a strong bond between the staff members and my family because they know each other well. We are that close till I know one of my workers' residence and the parents. For example, I will invite my employees' family including their parents if I am sponsoring a function and therefore, the relationship between their families and me will be strengthened. The bond between the staff members' family and us is very important in a family business. In a family business where you receive a huge amount of money, you need to know the employees' background in depth. (M1)

Employees are part of a business's assets, as M2 stressed:

The employees are our assistants. We don't need to be angry with them. We must always assume they are a part of and assets for our business. Most of them have worked for ten years with me and they are loyal to me even though I had to put up with their various kinds of behaviour. (M2)

The real employer is the customer, and employees accept the values of a family business as a working team in which all the members complement one another. On this point, C1 contended that:

This business depends on the employees because I am conducting this business with 27 employees in our two branches and we are working as a team. [...] the real employer is the customer. I am just heading my employees to gain profit and they will get their salary in return. The employees are specialised, skilled workers, and some of them are not skilled. When we are managing employees, we have to face various human attitudes and behaviors and this is one of the challenges for the manager/employer because every employee has his own attitude and mindset. We have to change their mindset according to this kind of business orientation. The relationship between the employees and customers in managing a restaurant is very sensitive because we need a close inter-relationship between manager, employee and also with customers. (C1)

The cases of M1, M2 and C2 provide evident of the importance of interaction between family and business by acknowledging the interplay and mutual influence between the overlapping systems of family and business. Family relations manifest themselves in specific values, traditions and ways of thinking which in turn have a strong impact on the business, its culture and its long-term survival, as the result of two interwoven systems, the family and the business, which are not merely the result of overlapping, but form a synthesised system with its own dynamic and logic, which has been described by Fletcher (2000) and Whiteside and Brown (1991) as an 'integrated systems view'. It is a considered an important characteristic of family business strategy in that it is strongly influenced by family values, goals and relations (Sharma *et al.*, 1997), while the business system also influences the family and its members (Hall and Nordqvist, 2008), including employees who are not family members.

#### **6.4.3.4 Communication**

Styles of communications among family business owners depend on the different situations which they face, as explained by M1, C2 and C3:

Communication is one of the most important things in a retail business. Along the road which is about 9km, there are fourteen petrol stations of various brands which creates stiff competition between the companies to attract customers. Six of the petrol stations are from the same brand and customer service is the only thing which differentiates them. I manage to compete with five of the petrol stations because of the support from my family and loyal staff are the main asset for my business. (M1)

Customers have to be treated according to their differing social status, which business owners know through communication with them, as C2 described:

Good customer service should be the topmost priority in this business. We must always smile and be polite in providing service to customers. We need to know the social status and the customers' needs in selling watches to them. Customers have different social status and they will buy the watch that suits them according to their occupation. (C2)

Regularly explaining to subordinates what and how to communicate to customers is important. C3 stated:

In order to attract our customers, I show the employees how to attend to our customers and communicate with them. (C3)

Positive communication and relations between family members who share the same values and show mutual respect to each other will produce higher levels of the satisfaction among the family members involved in the business. The findings of this study show that the higher the mutual respect, the higher the satisfaction in the family business's workplace will be, thus ensuring a smooth hand-over when the time comes and making the transition between generations more effective (Pyromalis *et al.*, 2006; Morris *et al.*, 1997; Dyer, 1986).

#### **6.4.3.5 Frugality**

Frugality in family business practice comes in many forms, as was spelled out by M2, C2, M3 and M4:

I have twelve years experience in this business and working experience of 25 years under others. I feel if you are interested, knowledgeable and smart, we are comfortable to work on our own which will bring satisfaction in this business. We can also generate extra cash for family expenses and this is what I meant by satisfaction. We must be careful so that we won't be greedy which will lead you to bankruptcy. From the income that we will receive, we have to settle the debt and the rest would be the capital rotation for the company. My salary and our family needs must be separated beforehand. If there is miscalculation, we will be short of capital to rotate. (M2)

C2 added:

I am very frugal in spending on only important items and the rest of my income will be kept in a savings account. My son also does not have a fixed income but he is being paid according to the hours he spends working in my shop.(C2)

M3 explained:

The profit from the noodle production business and the grocery shop will reach up to RM70,000 (GBP14,000) with a profit of between 10-15% each month. The main source of income is the noodle production business, meanwhile the grocery shop is more of a customer service because we are selling sugar and flour which don't bring much profit. We are able to attract customers to buy other things from our grocery shop. (M3)

M4 provided evidence on paying for what is most needed out of the income:

The sales could reach up to RM200,000 (GBP40,000) for each batch but after deducting the cost price of the chickens, food and medication, I can gain a profit of RM30,000 (GBP6,000). I need to pay instalments, utilities and payment to my employees from this amount. My net income is RM12,000 (GBP2,400) for each batch, that is, about 6 to 10 percent of the gross amount. The prices of the chickens and the food for them are controlled items, so my profit is fixed. I expect my profit to increase after I had settled the loan from the bank and I think I will be able to gain more profit at this time. (M4)

Being frugal is one of the important values for enabling micro and small entrepreneurs to survive for longer, and especially in ensuring that their business capital turn-over is sufficient in the event of both hostile and benign business environments (Covin and Slevin, 1989; Miller, 1983). The long-term survival of both Malay and Chinese family firms in these cases appears to have resulted from the good practice of saving as much as possible from the returns they received

from their daily sales revenues. This finding is in line with that of Habrizah (1997; 1995) in her study of Malay and Chinese entrepreneurs' personal values and identity, which was that both groups saw this personal commitment as important to them since some of them had experienced poverty before venturing into business and the habit of saving had been instilled in them, and they continued to sustain the habit even after becoming successful entrepreneurs.

#### **6.4.3.6 Patience**

In the interviews, it was found that patience was correlated with longer survival in family businesses, and M2, C1 and C3 explained below how patience had shaped their success:

I am underlining a target every month and the most important thing is that the profit must be above 20 percent. If it is below 15 percent, I won't be proposing to compete for the tender. If the profit is above 15 percent, I must ensure I have other projects where the profit is 25 to 30 percent in order to cover the cost. This is the business strategy that I am practising. The project tenders for my company are 90 percent from private companies and the remaining 10 percent are from the government. Patience is compulsory in this industry. (M2)

The relationship between patience and good decision making was emphasised by C1 and C3 and is really needed in the service industry, especially in the food, beverage and grocery sectors:

This business needs a lot of patience and sustainability for long term-orientation. Patience will lead to good decision-making. Patience is necessary in decision-making. (C1)

C3 explained the importance of achieving a balance between family interest and business interest:

We need patience especially during challenging times. During our first year of business, my husband and I nearly lost hope because the profit per day only reached RM50. This forced us to open the shop seven days a week from 8am after sending the children to school till 8 pm, that is twelve hours a day. (C3)

Patience is the ability of an entrepreneur to remain persistent without giving up a task but striving to perform it successfully. In this regard, the owners of long-term surviving family businesses regarded patience as a 'seed' leading towards maturity and enabling them to make well-judged decisions. This data was sought through qualitative analysis because information about whether Malay or Chinese family business owners possess greater patience seems limited, and even though Habrizah's studies (1997 and 1995) used quantitative analysis to show that

Chinese entrepreneurs put greater value on patience and perseverance compared with their Malay counterparts, her conclusion was similar to the finding of our study, which was that entrepreneurs claimed that their patience, perseverance and self-determination were ingredients contributing to their long-term survival.

#### **6.4.3.7 Fatalism and Good Virtues**

Knowing your competitors enabled longer survival, as M2 explained:

We have to know our competitors from vast experience and there are some competitors who will be proposing for tender even though the profit is below the margin and ends up causing bankruptcy, which will close the opportunity for other companies. This kind of company won't last long because they don't have enough capital and go bankrupt. We don't need to follow this kind of rhythm which is not realistic in a business environment. (M2)

This particular value of running a business was echoed by C1 as follows:

I faced a lot of challenges in the initial stage of the business because I did not have enough knowledge and experience in this business. The sales were very low and I tried to improve from time to time because this industry is exposed to the ups and downs of the economy and to diseases such as bird-flu. I need to be positive in order to face these challenges. My business is quite stable now because of the experience that I have gone through [...] Many competitors don't know how to present their business concept. I have attached the word *Halal* [to my products] [certifying that foods and beverages have been prepared in accordance with Moslem religious requirements] so that I would be able to attract all races to my restaurant, and because 80 percent of my customers are Malays. I can say I have achieved the target in this business because my concept is to introduce Chinese food to the Malays as well as the regular Chinese customers [...] The most important thing is the concept. If the concept is well accepted by the customers and our target group, we can ensure that the business will make a profit [...] Trust is another important matter, and I employ only those employees who are honest and trustworthy. (C1)

Previous researchers have concluded that entrepreneurs with internal beliefs are more likely to strive for high achievement than entrepreneurs with external beliefs (Brouckhaus, 1994). Among Malay and Chinese entrepreneurs, Habrizah (1997; 1995) found that both were externally controlled as they indicated a belief in fate. Although she concluded that both groups were

fatalistic, they insisted that this was the driving force behind their success since for them ‘fate’ and ‘luck’ were not controlling factors but merely a rational guide to their behaviour. Our findings are similar in that the positive mindset in facing tough challenges over surviving in business is the belief that one of the basic duties of human beings is to perform at their level best, and the rest of the endeavour is left to fortune.

#### **6.4.3.8 Politeness**

M1 highlighted the importance of the ‘Customer’s First’ mindset in achieving excellent customer services, stating:

The important strategy for excellence is consistent service to customers regardless of their status, whether they come by cars or motorcycles. This is the norm that must be instilled in the minds of the staff and to remind them that the salary they are getting every month comes from the customers. The staff must be given training once every three months in areas such as self motivation on how to upgrade in terms of service which will improve the business in general. (M1)

C4 applied service quality to maintain his customers’ services and his own long-term survival:

Customers have to get a first-class service in this business. Be polite is my motto. Customers can judge the quality of your service because you will have to face regular customers or similar faces each and every day which will make people trust you and your business. (C4)

Being polite to customers ensures long-term customer loyalty and customer relationships. It originates from one’s own self-discipline and is nurtured from early childhood by parents as the ability to control and direct emotions by learning to keep calm and controlled. Previous research comparing Malay and Chinese entrepreneurs has shown that the Malays placed self-discipline slightly higher than their Chinese counterparts (Habrizah, 1997; 1995). Although the qualitative method used in this current study limits the degree of parameter and measurement between the two ethnicities, both confirmed their belief in the importance of politeness as a result of the self-discipline instilled in them and practised it in their daily family business operations to improve customer services.



#### **6.4.3.9 Succession Over Generations through Service Reliability and Customer Relationships**

M3 explained that his successor could benefit from long-term customer service relationships:

I hope this business will be inherited by one of my five children. The most important thing is their interest in this business which is not only to be inherited but also to expand the products and to venture in other businesses. [...] I am comfortable with these small-scale family businesses but they have a good volume. The financial institutions such as banks were willing to provide loans for me at the time when I don't need it anymore. (M3)

C3 was proud of his grocery shop's reputation for customer loyalty:

I have regular customers and it would be a waste if my children do not inherit this business. I would be proud if this grocery shop, Mini Market ABC, would be able to provide a service to society. We have had the trust of society for twenty years (C3).

C4 and his brother benefited considerably from their father's regular customers who continued to support them although the shop had been inherited by him in partnership with his brother:

We have regular customers since my father's time and they kept on increasing from time to time when my friends introduce their friends to me. After selling them these electrical appliances, they still keep in touch with me to service these appliances. I am also providing instalment payment schemes for the customers that I trust. (C4)

Long-term surviving family firms have consciously or unconsciously continuously adapted themselves to the surrounding business environment and customers are attracted to them on the basis of their reliable customer services (Goto, 2006). In this study, both Malay and Chinese family firms confirmed that the long-term and reliable customer services (Chaudhuri, 1999; Aaker, 1996) attached to their shops' names or to family members of the second generation not only help the founders to ensure long-term survival but also help their successors to carry on the legacy attached to their shop's name, even though their products are merely a finished retail product and not their own manufactured product. This shows how a founder's legacy determines the survival of his/her successor in the business.

#### 6.4.3.10 Religious Piety

In this study, none of the Chinese family business entrepreneurs referred to his entrepreneurial activities as being based on a religious belief and piety. However, one Malay entrepreneur, M2, highlighted that the value of trust is of utmost importance in doing business and that the practice of Islamic teaching in giving *Zakah* (which literally means ‘purifier’ or ‘alms’) is the giving of a fixed proportion of one's wealth to charity, generally to the poor and needy, and is one of the five pillars of Islam (Salim, 2008):

The main values in life such as trust between me and my client play an important role apart from religious obligation and doing charity. (M2)

Through the successfully embedded practices of Confucianism among Chinese family business owners in their daily life of doing good deeds as a human being, it can be seen that religious piety was not an issue which they related into their entrepreneurial ventures, although five of the Chinese family business owners in this study had different religions and faiths, such as Buddhism and Islam. This conformity to Confucian practices among Chinese businesses was commented on by the Chinese expert (Expt-Ch) interviewee, who said:

Confucianism is a system of beliefs and not a religion, and as such it has no conflict with any religions in Malaysia. In religion we have religious rituals, beliefs in the concept of God and system of faiths, whereas Confucianism is a philosophical belief about ethics and morality in the relationship between members of society and their family members. The Chinese are inculcated with this system of beliefs since they were kids. Consequently, even later when they become Muslim, Hindu, Bahai, Christians or free thinkers, they still subscribe to these beliefs as they are an integral part of their psychic makeup. For example, in matters with regards to respect for the elderly, the Chinese have a great reverence for them. The grandparents, the parents and the elder brothers and sisters are accorded due respect because of their age. (Expt-Ch)

In this regard, it is evident that Chinese family business owners placed the teachings of Confucius higher than religious doctrines such as Buddhism or Taoism, since it is both a moral system and a belief, and was not seen as a religion but merely as a set of guidelines and a code of conduct for civilised people to live by (Redding, 1993), unlike the Malay family owners who placed religious values as of high importance. The results of this study indicating that the Malays regarded religious values highly is contrary to Poponoe's (1970) finding which was that they did not regard religion as an influential factor in entrepreneurship. Poponoe's finding was the result

of two quantitative questions posed to Malay entrepreneurs of whom slightly more than a quarter (26 percent of 116 respondents) were in family businesses; first, whether they considered themselves '*more or less religious*', and second, measuring traditional religious views by asking whether '*man can be truly good without having any religion as all*'. Both of these questions explored personal attitudes towards religious practices and he contended that some of the respondents had not answered them correctly on the grounds that no-one could rightfully answer about himself in the matter of religious practices, thus causing the findings to be considered biased. In this current thesis, we provided a different way of approaching entrepreneurs by asking indirectly about their entrepreneurial practices through in-depth interviews and not asking about their religion directly, but spontaneously they spoke about practising the values of family business culture which adhere to religious values in a more natural setting, as indicated by M2 who reflected that the profit gained from the business could have been donated to charities for the poor as *Zakah* as part of religious obligations and duties rendered by practising Muslims.

Thus, gaining profit was not just for himself but partly for the sake of mankind, especially those in need, and this is similar to Habrizah's (1997 and 1995) finding on the highest religious piety being among the Malay entrepreneurs. This shows that the modern Malays already understand that their religion does not impede their progress in business through profit-making, in contrast to the typical traditional Malay attitude to culture and values in the context of profit-making discussed in Chapter 2. Moreover, in the context of Malaysia, it is evident that the family business value orientation of Malays' businesses was rooted in religious belief which led them to long-term survival and success. In this regard, Ismail (1983) contended that:

[...] because Islam is an important feature of Malay life, it is relevant to consider value orientations which depict the influence of religious beliefs on economic and business related behaviour. (Ismail, 1983)

Therefore, they have the proper mindset and positive views about religion and doing business already instilled in them as encouraged by Islam, just as the Protestant Ethics of Calvinism encourages profit making and wealth creation as well (Weber, 1930).

#### **6.4.4 Decision Making**

M1 used his full autonomy in his business to make sure that his decisions were on the right track:

All the final decisions for this business are in my hands but I need consultation, advice and suggestions especially from my wife, and from friends who give me support and also from my own staff before I decide to proceed with a decision. (M1)

M2 consulted family member before making decisions:

My wife is the main shareholder and that makes it a family business. My wife is supporting me and understands the business, she also takes good care of the household and the children. However, I will be the one making final decisions which involve the company after taking into account the views of my family members and also my employees. (M2)

C2's wife gave him moral support:

My wife is partially involved in the business and she is giving her full attention to the children. She is giving me moral support in the business. I am the one who will make decisions in this business. (C2)

Previous studies of individual entrepreneurs have validated that the spouse of an entrepreneur contributed to the success of the business especially in the decision to venture in business. In a study of women entrepreneurs in Malaysia, Rohana (2006) found that their husbands played a vital role indirectly, especially as they sought their husbands' advice especially on matters related to decision-making in marketing and business management. Similar findings were also made in earlier studies of Malaysian and Western businesses by Rosli *et al.* (2002) and Burley (1995). Although individual entrepreneurs receiving support from their spouses happen in non-family businesses, but it was further substantiated in family businesses as whether or not a spouse holds any shares in family firms, he/she still plays a necessary role in enabling a family business to survive longer.

#### **6.4.5 Networking (Social Capital)**

M2 stressed the importance of partnership with non-Malays:

It is hard to get capital even though I have the experience and offer employment opportunities for others. My latest strategy is to have a partnership with partners

who are Chinese and have a large capital and network to gain a good opportunity in this business [...]. Networking is the most important aspect in a business environment because we need consultation from our friends in order to proceed with something. Not all the Chinese are good in business but since they have cash flow, they are able to compete. In order to succeed, we must merge with the Chinese because we have knowledge and they have money. This would be a good combination and leads to a win-win situation especially in bigger projects. (M2)

M3 provided customer services and built up strong networking with the Chinese:

The grocery shop is not making much profit but it is more to provide a service for society in order for them to trust the business that I am handling, that is a grocery shop and producing noodles. I also build good contacts and networking with the Chinese who are the raw material suppliers of the noodles that I am producing as the end product. (M3).

Poponoe's (1970) study conducted during the pre-NEP period on perceptions of networking between Malay and Chinese entrepreneurs drew two conclusions; first, that the more educated and urban-type of successful Malay entrepreneurs favoured having business networks with their Chinese counterparts on the grounds that Malays could not compete with the Chinese, who had already established 'bamboo-networks' in the colonial era, and had learned from them through sharing business ventures with them and expanding their business opportunities within a healthy and harmonious business environment; and second, that negative attitudes towards making relationships with the Chinese were contributed by the political pressures from the rural and less-educated Malays who regarded that any form of alliance or partnership with the Chinese was wrong. This was due to the view held by Malay rural-villagers at that time that most Chinese family businesses were based within their homes, and were therefore dirty, on the basis of the ritual impurity of their living arrangements in the backyard or above their shops, along with the untidiness of their kitchens, although they admitted that the economic and material advancements of the Chinese business community came as a result of their hard work more than for the Malays (Poponoe, 1970: 273). This view of the Chinese business community's hardworking attitude and advantage gained through their domination in the urban business area over the Malay business community was also seen during the early years of the NEP's implementation in the 1970s; Charlesworth (1974) studied nine states in Malaysia and found that 86 percent of 407 respondents believed that they were able to face challenges if their businesses were located in an urban area, even though they knew that in the majority of the cities it was the

Chinese businesses which dominated, and that joint ventures and business networking can be further developed and strengthened between them and the Chinese; thus, their perceptions of the Chinese in terms of the level of cleanliness mentioned above as the Malay rural dwellers' belief was easily forgotten when the business capital mindset between them was involved. In this respect, Ye (2005: 115), who had Chinese immigrant parents who came to Malaya in the early twentieth century, contended in his controversial book on the lives and struggles of Malaysian Chinese, 'The Chinese Dilemma':

A Malay *kampung* (villager's) house is neat and picturesque, whereas a Chinese home gets to look like a disorderly workshop in no time. In the urban areas too the Malays are more house-proud than the Chinese. Conditions inherited from centuries of overpopulation and poverty underlie some of the worst habits of the Chinese. Our tolerance for noise, untidiness and even filth must be among the highest of any people. We are noisy because living under crowded and disorderly conditions encourages noisiness. We are untidy because life is enough of a struggle as it is without having to spend time and energy on keeping up appearances. It doesn't bother us if our kitchens, say, are a mess. Is this because we are so practical-minded that we see no point in keeping a kitchen clean and tidy when it is soon going to be greasy and untidy again? As with kitchens, so with toilets. Even Singaporeans, who fancy themselves as the Swiss of Asia, have to be persuaded to flush their toilets after they have used them by threat of a government penalty. China's lavatories are so notoriously dirty that Li Peng, the former Chinese premier, is said to have asked why a nation capable of launching satellites can't keep its toilets clean. (Ye, 2005: 115)

However, we are of the view that the Malays' prejudice against the Chinese during their early migration days is now diminishing as a result of the government's policy of NEP towards national integration and nation building of what is commonly known as '*Bangsa Malaysia*' (Malaysian nation), as can be seen in the case studies of M2 and M3, which slightly contradict Poponoe's (1970) finding that only educated Malay entrepreneurs prefer networking with the Chinese by the fact that M3 was less educated than M2 but both acknowledged the importance of networking with the Chinese and had benefitted much from it, while what is similar to Poponoe's (1970) findings is that they are urban-type entrepreneurs.

This negative impression of Chinese entrepreneurs still existed after ten years of implementation of the NEP, and Abdul Aziz (1981) found that generally Malay entrepreneurs had a more favourable attitude towards joint-ventures with foreigners than with the local Chinese

entrepreneurs. Thus, their bad impression of Chinese entrepreneurs cannot benefit Malay entrepreneurs by enabling them to further develop and learn skills from them in their entrepreneurial activities and the negative perception of a particular ethnic group over their cleanliness identified by Poponoe (1970) cannot be generalised to everyone of that ethnicity as it is such a personal issue. The current study has somewhat cleared the negative perceptions of networking and carrying out joint ventures with Chinese businesses and contradicts the negative results found by both Poponoe (1970) and Abdul Aziz (1981).

#### **6.4.5.1 Vertical and Horizontal Network Chains**

C2 explained how even though they are selling the same watches as competitors, their pricing strategy presents things differently:

There are two more shops nearby and I will be offering lower prices than the other shops in order to attract customers. The other two shop owners are related and they are helping each other either to promote watches or to repair watches. We have to compete in a healthy environment because we need income and profit in order for us to survive in this business. (C2)

C3 was fortunate in having a supplier who was the building owner:

We were fortunate because the supplier was the owner of the building which we are renting and he helped us a lot during our first year by giving us things first and then only asking for payment for the goods later. Since the landlord's son took over after his father, we have to pay cash for each and every thing that we buy and we have no regular customers during that time.(C3)

The Chinese business community in Malaysia has a long record of mutual support in the form of chambers of association based on kinship and clanship (Jesudason, 1997; Heng, 1988), as discussed in Chapter 2, unlike the Malay business community who are less supportive of each other and depend solely on government assistance, although the Malay respondents in this current study were largely self-supporting, and only M4 received financial assistance. The cases of C2 and C3 have shown how CFB use their existing networks to further enhance their business by taking advantage of both vertical and horizontal network chains. A network chain is a set of networks which can be divided both horizontally and vertically, with the former encompassing ties between firms within a particular sector of industry and having two sub-divisions, forward and backward integration, while the latter is based on vertical ties between firms in different

layers in sequential form (Lazzarini *et al.*, 2001). Thus, CFBs have benefitted much more from complementary network chains as a long-term survival strategy compared with their Malay counterparts.

## **6.5 Entrepreneurial Orientation**

One Malay (M3) interviewee and one Chinese (C2) interviewee in these case studies demonstrated practising EO in terms of risk-taking, of obtaining loans, of using innovative ideas to get a loan in the early stage even though they had been rejected by a commercial bank, of being aggressive in order to achieve what they had intended and, more importantly, of showing how the absolute power of being a founder or owner of the business entity gave them autonomy to speed up decision making, as the following comment shows:

It was also hard to gain any financial help when we were at the initial stage of the business, in my case the noodle business, because we did not have any previous track record even though I had established my grocery shop for such a long period. These were the things which made it hard for the financial institutions to give me a loan. Finally, the company where I bought the machine from gave me credit facility from the distributors because of my failure to get a loan from any of the financial institutions. (M3)

C2 consulted family members before making final decisions in his business:

I will be making important decisions in this business after taking into account the ideas from my wife and also my children. In this business, we need a lot of capital because watches are bought via credit and cannot be sold back to traders in case the customers did not buy them. The rotation of capital helps me a lot. The banks were offering loans recently but I turned them down because there was no need to borrow any money from banks. [...] after a year, I did not get any profit but experienced loss instead. In 1980, I bought a stock of watches at a price which included government tax. A year later, the government scrapped the tax and the price of the watches was much cheaper than before. I cannot sell the watches at their original price and I encountered loss during that time. (C2)

There are some main factors of EO which can be identified in both MFB and CFB from the above excerpts. Risk-taking and aggressiveness as a result of loan difficulties in the early start-up period led them to be more innovative in strategising their businesses. In M3's case, although no loan was provided, the high trust given to him by his machine supplier enabled him to survive on the loan provided by the supplier and not by the bank, as also happened to C2 when there was no



loan available to help him obtain some stocks of watches. Holding stock is something of a high-risk activity, especially when the stock includes obsolete designs or the market has faded over the seasons, and the same applies to M3 if the noodles which he made with the machine which he got as a loan facility from the supplier failed to achieve suitable profit margins over the years, since he still had to repay the loan whatever the circumstances. The supplier selling the machine usually has a business strategy and has a conflict of interest by offering a loan for a machine which he can sell regardless of whether the finished product is saleable, unlike a bank providing a loan which a family business operator is free to use to buy any machine from any supplier, as in this case the bank becomes a third party just facilitating a loan disbursement and is not mixed up with any specific machine seller. Thus, small family businesses are exposed to being exploited by their suppliers, as M3 and C2 experienced, as well as facing a tough challenge from foreign-owned hypermarkets. This scenario was also shared by the state legislator interviewee from the opposition party (Pol-Opp), who stated:

Small family businesses in Malaysia are currently facing a tough time; if we look at the grocery or sundry shop, for instance, we can see that the business is dying since the operating of hypermarkets by multi-national companies such as Carrefour, TESCO and Giant. The government has to be blamed for permitting their operation in our country for the past twenty years. Giant was initially a Malaysian-owned hypermarket company but ultimately had to release its majority share to foreign equity once it was listed publicly. [...] The existence of a hypermarket is a capitalist activity. (Pol-Opp)

Only those who are really risk-takers, highly innovative and aggressive entrepreneurs are able to face these challenges and survive for longer in a family business even though they are surrounded by an influx of foreign investors in hypermarkets. Previous researchers found that innovativeness is considered as a highly important dimension of EO for the long-term survival of family firms (Nordqvist *et al.* 2008), even though autonomy and proactivity are found to be positively associated with innovativeness (Rauch *et al.*, 2004, Lumpkin and Dess, 1996). McCann *et al.* (2001) found that younger and smaller family firms are more likely to be innovative than older and larger family firms. Thus, the findings of Nordqvist *et al.* (2008) and McCann *et al.* (2001) further confirm our findings from M3 and C2 while they were at the early start-up stage, and although M3 was a second-generation owner, he ventured into a different segment of business and was regarded as a new noodle maker as well as succeeding to his

parents' legacy in grocery, and they were both more innovative when they faced difficulty in getting a loan from the bank, since getting a loan from a supplier as an alternative choice for M3 and holding a large stock of watches in C2's case resulted from their innovative thinking, and at the same time were positively associated with proactiveness and innovation, but when the bank offered them loans during a period of stability in business to enable them to expand, they refused them.

These findings are, however, qualitative in nature, thus limiting their ability to determine which ethnicity is superior in terms of the implementation of EO in a family business. In this regard, their risk-taking strategies were associated negatively with financial borrowing (Naldi *et al.*, 2007), and they felt that it was 'enough to have just a small business' rather than going for growth and expansion in their desire for longer survival for their firms. Nordqvist *et al.* (2008) stated that "there are less signs of risk-taking and competitive aggressiveness in comparison to proactiveness, innovativeness and autonomy" in family firms, while later generations found partial support that they are more risk-averse compared with non-family firms (Martin and Lumpkin, 2003).

## **6.16 Conclusion**

We have analysed qualitative data acquired through a series of in-depth interviews with relevant key informants in Malaysia. There has not been a discussion of all the findings in this chapter since this will be presented more thoroughly in Chapter 7 by combining the findings from both methods of analysis presented in Chapters 5 and 6. It has been found that the family business culture of the MFB and CFB differ fundamentally. MFB culture is purely rooted in religion, while the CFB culture is rooted in Confucianism. The CFB benefitted more from network chains within their business community while the former were more dependent on government support as in the case of M4 and from their Chinese counterpart's networking as in the cases of M2 and M3. Moreover, the EOs of the two ethnicities were not really inclined to risk-taking since both preferred not to take out loans beyond their comfort zone at the expense of maintaining and preferring to maintain their business entity at micro or small size. It is understandable throughout this study that micro- and small-sized family businesses in Malaysia are merely subsistence-

driven and seek to cover just the basic necessities of life especially run by the less educated family business owners.

It has been found from this study that previous experiences as wage earners in various fields for both ethnic groups boosted their confidence for venturing into family business. In terms of capital start-up, CFB had more tradition of providing such facilities as an accumulation within their family circles compared with MFB whom relied solely on savings or inherited property owned by their forefathers, such as farming land, as collateral for financial institutions. This is a difference between CFB and MFB, in that the former hold cash while the latter have inherited Malay reserved land over generations. Moreover, the succession trends among CFB were either that each sibling opens his/her own business after getting married, or that they form joint ventures between siblings if they are still unmarried. Both ethnicities supplied further evidence that both less-educated (non-tertiary educated) and educated (tertiary educated) entrepreneurs achieved longer-term survival, although less-educated MFB and CFB found it difficult to obtain a financial loan in the early years of operation, which made them more innovative and aggressive about taking loans or holding stocks which involve greater risk taking, which is contrary to the majority of previous findings on practices in micro and small businesses. Motivations which led to early ventures in family businesses were mixed for both MFB and CFB in this study, producing evidence that less-educated family enterprises were formed by 'pushing' factors such as subsistence, unlike educated family enterprises whose ventures were undertaken solely to become rich. Whether a family business relied on either employing part-time worker or not employing anyone at all depended on the degree of business skills and the level of flexibility in consuming time, work and money. Succession over generations faced a threat from the trend of the 'Y' generation to succeed to their predecessors' family businesses as a global phenomenon, as in our case of CFB.

Practice in family business culture spelled out similar values in both ethnicities, such as high levels of commitment and loyalty, as well as trustworthiness among family and non-family member employees. Relationships also evolved through strong bonding linked to positive communication and mutual responses, especially between non-family employees. Furthermore, frugality, patience and a positive mind-set are important in facing challenges, although there was an acceptance of 'fate' and 'luck' by both MFB and CFB. Politeness and family business

reputation was not just limited to a product such as noodles, but to a grocery shop's name such as 'Mini Market ABC', which has a strong brand equity and loyalty (Chaudhuri, 1999; Aeker, 1991) which makes it easier for successors to continue a business by retaining existing customers.

Decision-making styles for both ethnicities are a more consultative leadership style, while *laizze-faire* and networking across ethnicities have been more encouraged over the years among MFB, although traditionally CFB have shown more network chains than MFB have. EO seems to be an important factor in determining longer-term survival in both ethnicities, although as firms grew weaker as they got older or were passing through successive generations, they were more 'risk averse' when loan facilities were offered by financial institutions for the firms to expand or to grow, and these were rejected by both MFB and CFB.

## **CHAPTER 7**

### **DISCUSSION**

#### **7.0 Introduction**

This chapter presents a discussion of the findings from the questionnaire survey presented in Chapter 5 (Study 1) as well as those from the in-depth interviews presented in Chapter 6 (Study 2). The findings from Study 1 described in Chapter 5 consisted of samples from the questionnaire survey responses only among the MFB drawn from the MARA directory, who had received government support at least in terms of business and technical advice through attending courses, as well as financial assistance, or a combination of both. The findings from Study 2 described in Chapter 6 were qualitative and came from the in-depth interviews with family business operators of both ethnicities, but the difference between the samples of Study 1 and Study 2 is that entrepreneurs who received government business support were considered in Study 1 and those who received non-business support were interviewed in Study 2 (except M4) in order to draw more conclusive findings and generate more conclusive discussions. This thesis explores the long-term survival of MFBs and CFBs in micro- and small-sized business as a result of the culture of family businesses, EO and the effect of the government's affirmative actions towards sustainable family businesses in Malaysia. This chapter begins by discussing the main findings in respect of the effect of family business culture on the two different ethnic groups, as well as EO and the NEP, which will be discussed thoroughly in order to determine how it prolongs the survivability of the family businesses.

#### **7.1 The Influences of Family Business Culture (FBC) and EO on Long-Term Family Business Survival**

Both of the ethnic cultures of the family businesses which survive for longer in this study were found to practise different fundamental beliefs in the FBC; it was found that the MFB culture is rooted in Islamic religious belief, while the CFBs practise the cultural values of Confucianism. Confucianism as a source of cultural values was more strongly embedded and imbued in CFB entrepreneurs comprehensively, compared with religious values, as in the case of religion as a cultural belief, the two fundamentals of beliefs and values conflict, and we found cases among all the CFBs of the importance of Confucianism outweighing their religious beliefs such as

Buddhism and Taoism, and non-belief. However, C1, a convert Chinese-Muslim, viewed that Islam as a religious belief and Confucianism as a set of cultural values complemented one another as both drive adherents in the same direction towards positive attitudes and behaviours. This was further supported by 'Expt-Ch' (the Expert Chinese), who contended in the interview that, "Confucianism is a system of beliefs and not a religion [...] has no conflict with other religions in Malaysia [...] Confucianism is a philosophical belief about ethics and morality in the relationship between members of society and their family members". In contrast, however, Gomez and Jomo (2002) found that Chinese family businesses in Malaysia were not practising Confucian values in their business philosophy, family networking and personal relationships. It seems that Confucianism in Malaysia has been re-defined to be better suited for business purposes becoming what some term 'neo-Confucianism', because the original practice of Confucius's teachings are purely a lesson in practical ethics without any religious content; they are a secular social theory mainly to achieve a harmonious society within the five basic relationships within society as discussed in Chapter 2, and these do not include business deals. Thus we are of the view that this neo-Confucianism being practised in business deals is a characteristic of migrated Chinese businesses for long-term orientation as a life security and for purely materialistic purposes in the context of Malaysia, which is in line with the Chinese Value Survey (CVS) conducted by Michael Harris Bond in Hong Kong from values suggested by Chinese scholars (Bond, 1992), and this value has not been recognised by western scholars who have studied organisational cultures, such as Hofstede (2001; 1998; 1980) who defined only four cultural dimensions representing organisational cultures: power distance, individualism-collectivism, uncertainty avoidance and masculinity-femininity as we have defined in Chapter 1.

Furthermore, the value of UA identified by Hofstede (1980) was found among the MFBs in Study 1, where the questionnaire responses showed them to be moderate 'low risk takers'; however in Study 2, which explored this further by focusing on a different group of MFB samples from Study 1, it was found that the MFBs were 'high risk takers', especially those not receiving any start-up loans from the government. Study 2 showed that among both the MFBs and the CFBs, those not receiving government aid were higher risk takers than those who were receiving it. The high-risk takers among the MFBs and the CFBs in Study 2 were characterised by higher innovativeness, especially when they faced difficulty in getting access to capital assets such as machinery at the early stage of the business or during inceptions, although the risk-taking

characteristic diminished when they started to think about expansion as they both believed that it was enough to have just a 'small business' by sustaining what they currently had, especially those who were less educated; those who were more educated preferred expansion, such as C1 and M4, but lack of education was negatively correlated with financial borrowings (Naldi *et al.*, 2007) because although the less educated qualified for financing for growth, they refused to take it up.

Previous researchers such as Kuratko and Hodgettes (2001) in western literature and Mohd Khairuddin (2005) in the Malaysian context have identified greater innovativeness among micro- and small-sized businesses compared with medium-sized businesses, and found that in micro- and small-sized enterprises, the majority of innovative activities were not necessarily in producing a product but were creative ideas in terms of getting out of difficulty in gaining access to capital for start-up. This can be further explained as that innovative organisations have cultural frameworks that promote tasks which display an attitude geared towards continuous improvements. Innovativeness in business organisational behaviour was also found to be practised equally by the CFBs in Study 2 *vis-a-vis* the MFBs generally, although Study 1 showed that in terms of gender among MFBs, males were more likely than females to practise EO, namely risk-taking, innovativeness and aggressiveness/competitiveness, which means that males displayed more method, process and strategies than their female counterparts. These EO dimensions represent strategic inclinations in entrepreneurial firms for using a behavioural approach to strategic management (Covin and Slevin, 1991; 1989). An innovative family business entity as characterised in our data of family businesses is indicated by strong and supportive leadership, employees' commitment, employee involvement, the encouragement of new ideas, tolerance of risks, ambiguity and conflict, open communication between staff, profit sharing, market and customer orientation, and concentration on entrepreneurial behaviour (Mavondo and Farrel, 2003; Solomon *et al.*, 2002). The promising entrepreneurial culture and positive attitudes displayed by both ethnicities are the networking ties across ethnicities in overcome the constraints to obtaining finance during their early survival. The Chinese predominantly in our study remained as a 'middle-man' (Bonacich, 1973), rather than being an 'ethnic enclave' (Portes *et al.*, 1980) in which the latter were more likely to be characterised by the MFBs.

Although this study does not cover issues of leadership specifically, the paternalistic variable was tested in Study 1 in MFBs as well as in Study 2 in which we categorised it thematically as a '*strong bonding relationship between employer and employee*' in the analyses presented in Chapter 6. We did not measure Hofstede's (1980) dimension of power distance (PD), although Malaysia was ranked first among all IBM companies worldwide in organisational unit analysis simply because the method used by Hofstede (1980) required employees to respond to a question about how they rated their supervisors in terms of PD. We are of the view that for research into family businesses, paternalistic issues seem to have been dominant in the previous literature when the leadership characteristics of owners-cum-managers of family businesses are concerned with dealing with family members or outsiders of non-family members as employees, thus paternalistic is a more preferred which main focus is on welfare when a leader taking care of employee's welfare, showing a genuine protection which result employee's loyalty and respect towards the leader's benevolence (Aycan, 2006). In the context of Malaysia, Saufi *et al.*, (2002) found that a significant positive relationship between PD and 'telling leadership style' in high PD societies may explain the employee's preference for paternalistic leadership in that hierarchical relationship are well maintained through 'affective reciprocity' (Pellegrini and Scandura, 2008; Roland, 1984).

It is worth noting that in Study 1, gender and paternalism were not significant issues for MFBs, while in Study 2, which involved both MFBs and CFBs, it seemed that both ethnic groups practised strong bonding relationships between employer and employee (family or non-family members) and good rapport, and the cases of M1, M2 and C2 drew attention to the fact that more participative or *laissez-faire* styles of leadership practice were found among them compared with paternalism. On this point, the finding of this current study of family businesses in Malaysia in congruent with that of Schein (1981), who believed that the changing pattern and trend of management systems historically from the era of autocracy to a period of paternalism had led to the present models of consultative and participative leadership styles since the paternalistic style was commonly found in the Chinese business context due to the fact that it is deeply rooted in the Chinese traditional patriarchal family system (Pellegrini and Scandura, 2008). Furthermore, a more open society has been created in Malaysia over the past ten years which has introduced a preference for the change from paternalism to a participative style, contradicting the views of Ansari *et al.*, (2004), Saufi *et al.*, (2002) and Asma (1996) that paternalism was preferred in the



Malaysian context. Our research findings differ from those of researchers whose data were largely taken from a different level of managers in well-structured and formalised bureaucratic organisations, whereas by contrast our data was collected solely from micro- and small-sized, less-formalised family businesses in which the participative style has been preferred over paternalism. This is particularly well suited for family enterprises in modern businesses practices in which the decision-making in the enterprises is no longer a function of the legal owner/manager but is a collective activity taking in the views of business partners (wife and/or sibling(s) as well as family or non-family member employees. This shows that a paternalistic style is no longer appropriate with one individual being a care-taker of employees' welfare, but rather a collective family business enterprise whose daily operations are determined by the overlapping family and business systems (Gersick *et al.*, 1997; Lansberg, 1988; 1983; Taguri and Davis, 1982).

## **7.2 The Environmental Effect of the New Economic Policy as an Affirmative Policy on Long-Term Family Business Survival**

The NEP was discussed in Chapter 3 as an affirmative action, and the success of middle-class Chinese predominantly in the business and merchant sectors was spelled out in Chapter 2, and our data has shown that most of the micro and small-sized family enterprises of the interviewees had not benefited very much from the so-called 'affirmative action' as a corrective measure to achieve national unity by eradicating poverty regardless of race and of restructuring society to achieve inter-ethnic economic equality between the predominantly indigenous Malays and the non-indigenous Chinese.

There has been much criticism of the success of the NEP's implementation by the end of 1990 after twenty years (from 1971 to 1990), but although its implementation has expired, there is still a continuing spirit and philosophy of the NEP's aim and objective, such as the National Development Policy (NDP) implemented from 1991 to 2000, and the National Vision Policy (NVP) from 2001 – 2010 and the National Mission which is still undergoing until the fulfilment of vision 2020 has sustained the implementation of national policy development, and the public generally still refer it to as the NEP, so in our research the term 'NEP' represents the government's affirmative actions from 1971 to the present (Malaysia, 2006; 2010).

The debates about the rationale of continuing the ethnic-based policy tends to prove that the NEP has failed to encourage Malay capitalism, such as creating the Bumiputra Commercial and Industrial Community (BCIC), after more than four decades of implementation to advance the rise of a large pool of independent businesses as contended by Gomez and Saravanamuttu, (2013). The writer is of the view that the success of the BCIC since it was first launched in 1970 is not much benefit to micro- and small-sized enterprises in the context of the NEP but encouraging and was not really a total failure for two reasons. First, the data from micro- and small-sized Malay family businesses from Study 2 revealed that most of the micro- and small-sized enterprises received little benefit from the policy except in the cases of M1 as a preferential licensing/franchisee of a leading petrol brand in a petrol kiosk and M4 in the agro-based industrial sector, while the three family enterprises of M2, M3 and Exit-M had developed their own business frontiers without any direct government aid, which further enhances the earlier criticisms in the bulk of the literature of the NEP's failure for the disadvantaged Malay enterprises. If education is the moderator of the government-aided Malays' agenda of enterprise, our data has shown that although both more and less educated MFB owners sustain longer survival as a measure of their business success, more-educated owners have outweighed less-educated owners in terms of the benefits of the NEP implementation. This scenario further argues that despite the government's aid programmes to help to boost micro- and small-sized enterprises, the capacity and capability of entrepreneurs to benefit from such financial loans and maintain their businesses seems to be problematic, since the less-capable entrepreneurs among less-educated owners were found to be the less-qualified borrowers of finance and the most problematic start-up applicants for a loan, although the bulk of the finance available from commercial and governmental institutional financing, as in Study 1, presented the major challenges faced by the Malay family enterprises in this study.

The second reason is that the range of sizes of service and industrial businesses from micro and small to large-sized materialised only after the setting-up of the National Small and Medium Enterprises Development Council (NSMDC) in 2004, chaired by the Prime Minister and consisting of fifteen ministries and four related agencies, to look into the serious matters concerning the marginal-sized service and industrial firms, especially the micro-sized. A couple of years later, in 2007, a total of 265,755 entrepreneurs ranging from the micro-, small- and medium-sized had benefited from over 189 programmes implemented by fourteen ministries and

related agencies with a total expenditure of RM4.9 billion (GBP1.0 billion). Moreover, 99.2 percent of all businesses were SMEs and almost 80 percent were classified as micro enterprises. Of the SMEs, 87 percent were in the service sector, while 7.2 percent and 6.2 percent respectively were in the manufacturing and agricultural sectors. Furthermore, the largest institutions providing SMEs with financing were the commercial banks, with an increase from 27 percent in 1998 to nearly 40 percent of the total financing by the end of May 2009 (Bank Negara, 2008; Malaysia, 2006). Although huge amounts of SMEs' financing were provided by various institution, more family-based Chinese businesses preferred to finance their businesses from internal finances provided from within the family and from credit from suppliers to run their businesses, although some reluctance among Chinese SMEs to take out a bank loan was due to their fear of the need to disclose their business information and profile in the belief that that the information might be used against them (Gomez and Saravanamuttu, 2013), and in our samples a similar attitude was found in the cases of C1, C2, C3 and C4.

Micro-sized enterprises were the marginal group which suffered most from financing issues due to the fact that most of these enterprises were operated by less-educated owners, and this group seems have little knowledge of the procedures for applying for micro-financing. Apart from that, based on our findings from Study 2, most of the participants had had problems securing finance in the early start-up stage, because the financing institutions, including banks, would not give them approval at the very early start-up stage unless they could prove that the business was already off the ground with a proven track record. The government's initiative to include micro-sized enterprises in the newly-redefined SME from 2005 clearly defined 'micro-sized' for "manufacturing, manufacturing-related services and agro-based industries" as those whose sales turnover was less than RM250,000 (GBP50,000) or who had fewer than five full-time employees, while for "services, primary agriculture, and information and communication technology (ICT)" the sales turnover had to be less than RM200,000 (GBP40,000) or they had to have fewer than five full-time employees (SME Annual Report, 2006). Even though the term 'micro-sized' has its own definition in Malaysian enterprises, it is still under the broad definition of SMEs which lumped the micro-sized together with the small-sized simply because of their 'smallness', as it does in developed countries such as in UK, as defined by the UK Committee of Inquiry on Small Firms (Bolton, 1971). As a developing country and due to its small-sized industrial activities, the Malaysian government has had to separate 'micro-sized' from the broad

definition of 'smallness' within the SME abbreviation, but has added an 'M' to indicate 'micro-sized' which resulted in a totally redefined abbreviation as 'MSMEs'.

However, the existence of micro-sized as a separate category in the definition dates only from 2005 since before then the definition of an SME included micro-sized into small-sized under the definition of 1998: "A small-scale firm is a company with less than 50 full time employees, and with an annual turnover of not more than RM10 million (GBP2 million)", while a medium-scale enterprise is a company "with between 51 and 150 employees, and with an annual turnover of between RM10 million (GBP2 million) and RM25 million (GBP5 million)". The amendment of the 1998 definition of an enterprise was actually only a slight alteration of the 1995 definition in terms of the increase in paid-up capital for both small- and medium-scale firms, and an increase in the number of employees for the medium-scale from up to 75 persons to 150 employees (Mohd Khairuddin, 2005); the 1995 definition stated that a small-sized business enterprise is "an enterprise with a paid-up capital of less than RM500,000 (GBP100,000) and employs full time employees not exceeding 50 persons", while a medium-sized business was "an enterprise with a paid-up capital of RM500,001 (GBP100,000) to RM2.5 million (GBP500,000) and employs full time employees of between 51 to 75 persons".

There were at least three broad definitions of SMEs after 1995 which had been used largely during the implementation of the NEP; that which was in use between 1995 and 1998, that which prevailed from 1998 to 2005, and then that used from 2005 onwards, and micro-scale was only included in the definition from 2005 to the present, which is an indirect appreciation and recognition of the role and the annual contribution to the GDP of micro-sized firms, particularly in the service sector. So it is only in less than the last ten year that micro-scale enterprise activities have been separately considered and given an emphasis. In order to overcome the obstacles faced by family business owners, it is necessary for the government to revise and simplify application procedures in order to increase the number of qualified applicants among start-up owners to take out a loan during their critical short-term survival period of the first three years. As a result of the failure to recognise the micro-sized enterprises after thirty-four years of the NEP which was implemented in 1971, both Malay and Chinese family businesses have had to stand on their own to survive longer with the help of family members and extended family as

well as that of family business networking, proving that the family business really is a dynamic formation (Leach, 2007).

It is not surprising that the predominant view is that the vast majority of the beneficiaries of the NEP over the past forty years have been those business most closely linked to political patronage in that the selective patronage among the Malays conglomerates involved the privatisation of public enterprises formed and developed during the early years of the NEP which was seen in the early 1970s as the intentionally key mechanism which helped to nurture these new Malay entrepreneurs at the micro and small level (Gomez and Saravanamuttu, 2013; Gomez and Jomo, 2002). However, the original intention to develop and groom those micro- and small-sized enterprises seems not to have worked, since many of them constituted a so-called “group of well-connected Bumiputera corporate captains” which did emerge by the mid-1990s, but subsequently most of them suffered the loss of their business stakes as a result of the regional Asian financial and currency crisis in 1997, although there is little evidence that these Malay conglomerates supported the development of the small enterprises (Gomez, 2009). The same goes for the middle-class Chinese businesses as a whole in that they found that political patronage and being government protégés were the factors which led to the success and survival of Chinese family businesses in Malaysia, since the data collected were confined to large-scale and MNCs of Chinese family businesses controlled in Malaysia, in which the Chinese have the dominant shareholdings (Gomez and Jomo, 2002; Nonini, 1983).

Although our finding is not in line with that of Gomez and Jomo (2002), the difference was contributed to by the samples taken, in that Gomez and Jomo (2002) studied large enterprises including MNCs which received patronage, whether political or bureaucratic, whereas our thesis has mainly concentrated on micro- and small-sized family businesses which do not receive any direct patronage politically or are virtually non-patronised businesses, but a few in the sample did receive financial and advisory assistance, and held franchise licences on a merit basis, such as live-stock farming in M4’s case and a petrol kiosk in M1’s. Our evidence is further explained by the earlier assumption made by Shamsulbahriah (1996) who suggested that the social stratification of self-employment in Malaysia can be divided into two segments, small employers and the *petit bourgeoisie* who are likely to be found in the domestic sector employing fewer employees and having low capital investment as a mean of production to hire a small workforce

but still have to work themselves. The social relations involved may be a complex combination of patronage and the more likely family-based capitalism which is subjected to different forms of internal and external dynamics compared with that of the corporate bodies or MNCs. On the other hand, the bourgeoisie are more likely to be owners of large capital in large corporations located within the vicinity of the MNCs. It is sufficient to infer that corporate capital in Malaysia is more likely owned by the international bourgeoisie, while the local bourgeoisie are more likely to own family-based capital as our multiple study cases have proved.

Although much criticism has been written previously as well as in the current literatures, as we have discussed in previous chapters, especially on the failure of the government to ensure the success of building the capacity for Malay entrepreneurs through the BCIC vehicle by tapping the opportunities brought by the NEP, one major element that has been largely ignored is the success of the socio-emotional effect of creating high levels of confidence and motivation for the Malays to venture into business by what we can call the ‘success of psychological transformation’ which is embedded through the acculturation of the business-minded among the Malays since the implementation of the NEP after hundreds of years of colonialism have resulted in the Malays having a major imprint on their psyche, weakening their self-confidence, as was discussed in Chapter 3. Although the NEP was an affirmative action policy which was against the practice of an ‘open market’ economy, its implementation can be equally suited to the application of the ‘theory of second best’ which was popularised by Lipsey and Lancaster (1956), whose general theorem stated “that if one of the Paretian optimum conditions cannot be fulfilled, a second best optimum situation is achieved only by departing from all other optimum conditions”. If the application of the optimum could originally be achieved by imposing some system of taxes and subsidies on all other commodities, this requires “conditions that must be fulfilled in order to maximise some function subject to a set of constraints which are generally considered to be in the nature of things”. This theory of second best was a departure from the post-war literatures on the discriminatory nature of trade barriers.

### **7.3 The Staged Process of Succession: Determinant of Long-Term Survival and Growth over Generations**

Most of the dominant theories on succession issues in family businesses were reviewed by Handler (1994) who explained two theories predominantly showing the succession process; that of Churchill and Hatten (1987) with a four-stage succession process, and that of Longenecker and Schoen (1978) with seven stages of succession which are split into two main stages, the first three being implemented before the age of 24 as “before succession”, and the remaining four stages of succession being “more intensive involvement in the business activities”.

For the sake of this discussion of the issues of succession, we are of the view that Churchill and Hatten’s (1987) theory is more suitable for our study since it does not limit the age of a successor, but develops a life-cycle approach to describe the succession process between father and son in a family enterprise which has four distinct stages: ‘stage 1’ is the stage of owner-management, in which the owner-cum-manager is the sole-proprietor involved directly in the daily business routines; ‘stage 2’ is a training and development period during which the successor learns the business; ‘stage 3’ is a partnership stage between father and son; and ‘stage 4’ is a power transfer stage, in which the baton is passed to the successor as a symbol of shifted responsibility.

Table 7.1 illustrates the process of succession across our multiple-case study identified from a checklist which involved only eight cases among the MFBs and CFBs, while the remaining two cases from each ethnicity were excluded since they were ‘exit’ cases of family businesses in our study which means that they were no longer in business. This illustration is a means to predict the possibilities of each case to succeed into the following generation, either the second or third (the case of second-generation succession was involved in our study) and the level of preparedness. It can be argued that a family enterprise in Malaysia can survive longer in its dynamic capability of the overlapping between family and business systems which enables survivability within the ‘uniqueness’ of the family business institution even though it received almost non-special governmental aid under the NEP during its operation, except for the recipients of borrowings in the cases of M1 and M4.

**Table 7.1: An Illustration of the Level of Preparedness for the Succession Process**

Cases / Stages of Process	M1 (F)	M2 (F)	M3 (2 <sup>nd</sup> . Gen)	M4 (F)	C1 (F)	C2 (F)	C3 (F)	C4 (2 <sup>nd</sup> . Gen)
<b>Stage 1: Owner’s Direct Involvement (absolute power)</b>	√	√	√	√	√	√	√	√
<b>Stage 2: Training and Development (learning stage)</b>	√	√	√	√		√	√	√
<b>Stage 3: Partnership Father-Son (pre-succession)</b>		√	√			√	CNI	SP
<b>Stage 4: Power Transfer</b>								

Source: Author’s Database;

**NB:** *M*: Malay Family Business; *C*: Chinese Family Business, *F*: Founder, *2<sup>nd</sup>.Gen*: Second Generation, *CNI*: Children are not interested, *SP*: Siblings Partnership.

Table 7.1 explains the situation of potential succession planning predicted for different business endeavours. It is not surprising to note that the general perception of smooth succession in the Chinese community is in fact a tradition for their inclination towards entrepreneurial success over generations. Our data indicate that the number of first generations designated by ‘F’ was equal between the two ethnicities (three cases of each group) as compared with ‘2<sup>nd</sup>.Gen’ (single case of each group). This signifies the notion of venturing into business especially among those non-family-based business entrepreneurs who started their businesses as the founder since their parents were not involved in a family business. Thus, the allegations of the Malays’ backwardness over business ventures could not be substantiated since our samples were largely taken from those who had survived at least for the first three critical years and were willing to grow. Most of the Chinese business owners in the samples were the founder, such as C1 who, even though he had no experience in a business venture, took the opportunity to train himself although his father was a spare-part supplier for the dredging and mining industries, and he opened up his current business without any governmental aid and in a totally different segment to that in which his father had ventured.

In other succession cases of micro- and small-sized family business in Malaysia, Lim (1979) found that the tendency was for the eldest son to be given a bigger interest or share in managerial



power if he was one of the successors, but that if the founder's business had expanded considerably and more than one of his children were unable or reluctant to find another occupation elsewhere, the founder would convert the business into a partnership by giving fair shares to his children and to his wife as well. Thus, Lim's (1979) view was that there is no fixed rule in this regards, but that in many circumstances, a son would be preferred to a daughter, and a senior child would be preferred to a junior unless the former has obtained a better occupation than working with his father/family. Our study showed a similar case in C2 in that the father had decided that his older son would be a successor from his early childhood, as well as the case C4, whose elder son had been given the task of leading the second generation of his founder father's business.

The most important requirements for long-term survival among the micro- and small-sized enterprises is the high commitment and burning desire to succeed and proper succession planning. It is assumed that M2, M3 and C2 were the family businesses with the greatest potential to grow in the longer term over generations, while C3 had no children to take over (they were not interested) and in C4's case it seemed that just a few years of partnership with siblings in which their late father had shifted the succession's responsibility over them, while M1 and M4 had only small children and were exposing them at a very moderate level by letting them visit the business premises. These samples in our Study 2 have proved that even without government assistance it is possible to survive a venture into business, in that the most important characteristic that should be emphasised is the attitude and behaviour of an entrepreneur towards success. Apart from that, as in Study 1, by applying quantitative measurement, we found that even when there was no growth in employees or sales for three consecutive years, the family businesses in the samples did survive for more than three years; thus our data have proved that the issue of 'spotty growth' (Storey and Greene, 2010) does exist, especially in micro- and small-sized family business. We have also reviewed how the entrepreneurs with government aid failed to survive longer as a result of their commitment to conducting their businesses.

Santos (2012) of the Institute of European Administration and Development (INSEAD) offered another view of succession planning models which he divided into two models, namely, the "classical or traditional model of succession" and the "contemporary model of succession". The former is the one that we have already considered in Churchill and Hatten's (1987) four-stage

succession process which focuses on apprenticeship by transferring a founder's expertise as the best mechanism to train a successor. The latter is a contemporary model of better educating the future generation contending that the succession is not simply taken for granted. Family business leaders offer alternative options, for example establishing the family business as a foundation to support the family well-being while bringing in professional managers, or selling the business to employees, or consolidating the industry. The members of the next generation usually reckon that they would prefer not to succeed to the family business as a successor, but would rather attend short-term internships in the business world before embarking on their own careers and thus tapping experience by taking the opportunity of working in large multinational corporations at the same time as developing networking and practical knowledge. By using their own family business assets as leverage, as well as their vested interest in venturing into their predecessor's business venture at the same time as acquiring a valuable external perspective while being a wage-earner, the more successful successors in family businesses are significantly promising by their own choice and merit.

#### **7.4 Ways Forward for Family Business and Entrepreneurial Activities in Malaysia**

A recent study by the Global Entrepreneurship Monitor (GEM) in 2012 indicated that the fear-of-failure rate among Malaysian entrepreneurs had fallen significantly over the last four years, from 65 percent in 2005 to 36 percent in 2012, while the Total early-stage Entrepreneurial Activity (TEA) rate for 2012 had increased to 7.0 percent from 4.4 percent in 2009. This shows that the trend that entrepreneurial pursuits have been shaped and focused by the available opportunities signals an increasing rate of innovations and initiatives, and an improvement in Malaysia's economic situation. Moreover, this has mainly been achieved by improvement-driven opportunity entrepreneurship compared with necessity-driven entrepreneurship. Interestingly, more businesses and entrepreneurial activities survived beyond 42 months in 2012 (7 percent) compared to only 4.3 percent in 2009. While the retention rates for South Korea and China were higher in 2012 with 10 percent and 12 percent respectively, Malaysia's retention rate of 7 percent is higher than those of some developed countries such as the United Kingdom and Germany, with 6 percent and 5 percent respectively (*The Star*, 2013; GEM, 2012). The World Economic Forum's Global Competitive Report in 2012 reported that Malaysia ranked 25<sup>th</sup> out of 144 countries, which reflected mainly health and primary education as well as financial market

development, and identified this achievement as the Efficiency-Driven Stage of Development in a successful middle-income economy. This has been achieved as a result of policy implementation and good governance exhibited by the legislators and public administrators towards eradicating poverty, improving the living standards of Malaysians, developing a world-class infrastructure and maintaining significant economic growth as a result of long-term implementation of NEP.

Although ethnic-based enterprises cannot be fully ignored in terms of the importance of self-propriatorship in generating wealth creation locally, for the enterprise that is willing to go abroad, BCIC is no longer capable of tapping global opportunity and it is necessary to go further by forming a new model which goes beyond the ethno-centric business approach. Thus the creation of a Malaysian Business and Industrial Community (MBIC) (Muhammad, 2004) enabled *Bumiputera* companies to form a higher level of effective partnership and strategic alliance while Chinese and Indian business leaders could adopt a truly Malaysian culture. The government is an important player in this process and must come up with appropriate incentives and motivational support.

## **7.5 CONCLUSION**

This chapter has presented a discussion of the findings of the research. Furthermore, this chapter has addressed all three research questions posed in Chapter 1. The family business system (FBS) continues to contribute to longer survival compared with the institutional system, and sometimes FBS is more preferable as it is the best place to nurture a culture of entrepreneurship. This chapter has explained the stages of the succession planning process although some quarters may view succession as a taboo issue which leads to family conflict and should not be discussed openly. A conceptual model/framework of the research shows how the interactivity within the family business system and the corresponding interplay between the overlapped family and business systems can indicate longer-term survival. Furthermore, the influence of EO on the other hand served as a moderator between family business systems and survival measurements, which have been characterised by the use of quantitative and qualitative techniques. Although quantitative measurement does not give us any indication of growth since negative outcomes were recorded for three consecutive years, the in-depth interview data helped to explain more clearly the participants' thoughts and views on the effects of the NEP.

## CHAPTER 8

### CONCLUSION

#### 8.0 Introduction

This final chapter presents an overview of the current research study through the research objectives whose aims were laid out at the beginning of Chapter 1 as being to explore the culture of family businesses in Malaysia across ethnicities, the EO dimensions and the effect of the NEP as the affirmative action policy on FoB survival among Malays and Chinese in Malaysia. In addition, the contribution of this study to the literature on the effectiveness of the government's intervention and regulation of micro- and small-sized businesses, family businesses and entrepreneurship as a whole will be assessed. The theoretical, methodological and practical contributions of this research that have been captured throughout this research endeavour will be expounded. Finally, the key limitations of this research and some recommendations for future research on this subject will be presented.

#### 8.1 Revisiting the Research Objectives in terms of the Attainment of the Main Findings

This section specifically attempts to recapitulate the three principal key research objectives as set out in the first chapter of this thesis.

##### 8.1.1 The Set of Peculiar Characteristics and Dynamic within the MFB Culture of Long-Term Family Business Survival

This study attempted to **explore empirically within the Malay family business culture, the set of peculiar characteristics and dynamics of long-term family business survival**. As was made clear at the beginning of this thesis, this is the first study of its kind carried out in the Malaysian context and is considered to be a pioneering project since there are no earlier studies which have been published except those on non-family businesses, which have been particularly widely researched in terms of small- and medium-scale enterprises. As has already been discussed, the Malays during the colonial period were a peasant society, and although this notion continued during the post-colonial years, the ethnic clash which occurred in 1969 had a major impact on the country and became a turning point for the Malays to venture into business, especially in the early period in the 1970s during the implementation of the NEP's road map, as

explained in Chapter 3. It is not too much of an exaggeration to suggest the conclusion that the NEP has been psychologically a ‘state of change’ in the Malays’ structural mind-set in regard to venturing into business, as previous connotations suggest that the Malay's attitude was not that of an independent society as far as venturing into business was concerned. The Malays were fortunate in having an advantage through the possession of inherited land over generations from their forefathers which they could use as capital start-up collateral, and the Malays did at least perpetuate this method during the inception and critical stage of survival in business cycles. In the longer term, they were able to survive as a result of the proper management of their family businesses through the technical advice and assistance given by government agencies, and although access to loans was a hurdle for the early starters, they did have lower and even free labour charges as a result of the practice of hiring family members in the family business. Apart from their strongly-rooted religious cultural practices, the Malays in the samples participating in this study survived longer in their businesses as a consequence of the healthy family business practices of having a high risk-taking propensity at the beginning of their start-up period, of creating high innovativeness despite lacking the opportunity to access loans, especially for micro-level family businesses, and more importantly of showing a high commitment to surviving longer through generational succession. Most of the ventures have been into the traditional business segments and the service industry as in our samples, but they differ in terms of education level, being divided into less-educated and more-educated family business owners. The former ventured into business mostly because of ‘pushing’ factors in contrast with the latter who responded more to the effect of ‘pulling’ factors, and did not directly record substantial growth in financial terms, which has been explained in the field research using both survey and multiple case studies among Malay businesses, as explained and evidenced in Chapter 5 and Chapter 6. These evidences provide support to the claim that this research objective has been achieved.

### **8.1.2 Similarities and Differences in Family Business Practices among MFB and CFB**

This research undertook **to identify similarities and differences in family business practices among Malay and Chinese family businesses**. In the effort to undertake a cross-cultural examination of family businesses in this study, we have achieved this second objective as the findings suggest that both cultures have different departure points or sources of cultural practices, with the Malays being predominantly rooted in religious belief in contrast with the

Chinese who work on Confucian cultural values. Furthermore, the Malays have improved in their preparedness to set up business networks with their Chinese counterparts (a tendency towards being business minded rather than persisting in a 'stigma-like prejudice' to each other during the early years of post-colonialism), as discussed in Chapter 6. This cross-cultural networking further suggests the growth of healthy and supportive social interaction phenomena across the two ethnicities leading to less prejudice towards each other, especially in terms of the comparison of each side's perception of the other, particularly the often-cited belief among Malay rural folk of the Chinese being categorised as 'untidy', which inhibited their willingness to build business networks, as explained in Chapter 6.

Furthermore, the Malays were found to conduct their family businesses in terms of high risk-taking in our study, matching the findings of previous researchers on Malays business cultures such as Aida (2008) and Lrong (2001, 1998), as discussed in Chapter 3 on the improved risk-taking dimensions, and this created more aggressive tactics among the Malays than the Chinese as a result of the NEP if one looks at the business venture inclination of the contemporary Malays as compared with the traditional and typical attitude among Malays, as explained in Chapters 5 and 6 respectively. Moreover, it is further suggested here that a demarcation line can be drawn between two types of family business entrepreneurs, namely the high risk takers and the low risk takers of the family business operators in this study; the former are characterised as being more educated, more easily able to obtain loans, and being wage earners from their prior working experience and venturing into business as a result of 'pulling' factors, while the low risk takers are characterised as being less-educated compared with the former, and merely operating their family business as a means of subsistence and venturing into business because of 'pushing' factors, and that this division exists across the two ethnicities. This study has further substantiated the shift in leadership styles and characteristics practised by family business owners-cum-managers of both ethnicities by demonstrating that the most popular management style among the owners of family businesses in this study was the 'participative style' rather than the 'paternalistic style'.

Growing concerns were identified about the effect of the 'Y' generation as this generation has not shown any interest in taking up the succession of their family businesses, as they were more comfortable working for someone else independently and outside the family business circle, and in the CFB this phenomenon is regarded as an alarming prospect for the dynamic of a family

business across generations, in contrast with the MFB whose successors behaved in the opposite way, as discussed in detail in Chapters 3, 5, 6 and 7. Therefore, the second objective set out for this study has been fulfilled.

### **8.1.3 The Effectiveness of the NEP as a Macro-Environmental Policy in the Malaysian Context towards Family Business Survival**

This thesis sought **to investigate the effectiveness of the NEP as a macro-environmental policy in the Malaysian context towards family business survival.** The implementation of the NEP has been widely regarded as successful in the area of education, which has significantly improved, especially in creating a large number of middle-class Malays by empowering the marginal groups with access to education, since during the two decades of its implementation tremendous growth was displayed among the *Bumiputeras* being educated at all levels of education, be it primary, secondary and tertiary level, and this has raised the quotas and educational subsidies including scholarships which in turn has led to improved standards of living through wage-earning capacity (Ragayah, 2013; Gomez, 2013) for the Malays as a consequence of the NEP. Thus, the NEP has had an effect on entrepreneurial activities as the findings of this research have shown that at least two sectors have benefited from the NEP's success, both directly as discussed above in terms of on their advancement in wage-earning capability, and indirectly through the emergence of Malay entrepreneurs, in particular, as we have discussed in our empirical findings, in that the more-educated Malays displayed greater potential to expand their family businesses compared with the less-educated ones, although both groups survived long-term. This has shown the importance of education and its spill-over and multiplying effects through various sectors, including success in entrepreneurial activities, although further analysis of the business players might show whether they were genuine entrepreneurs, which in the cases discussed here were able to survive longer without direct financial assistance, or non-genuine players who were politically motivated and who received patronage, as noted by Gomez and Jomo (2002) as well as Gomez (2009). As a consequence of the educational success among Malays as the result of the NEP since 1970, the identification of migration activities of mostly Malays from rural to urban areas (Mansor, 2012) through longitudinal research of the effect of the NEP from 1990-2011 has shown that the Malay/Chinese ethnic boundaries were moderately thickened in the early 1990s but subsequently became thinner

from the middle of the 1990s onwards as a result of both ethnic groups aligning themselves by giving greater preference to material issues and personal obligations such as renting business premises, rather than persisting in concerns about an ethnic choice, and this has meant that their ethnic boundaries have become more fluid. This has resulted in networking among the micro- and small-sized family businesses becoming more easily established and cross-ethnic networks growing between the two sides regardless of the ethnic differences. It is further suggested as an undeniable fact that although there has been much criticism of the NEP's implementation over the decades, it has created invaluable harmony in a peaceful country, and Malaysia is enjoying both direct and indirect benefits of the policy through the spill-over effect, as described earlier.

Although the NEP has established a healthy and conducive business environment for the Malays to move towards business inclination and has successfully reduced the ethnic barriers for business networking across the two major ethnicities, the Malays and the Chinese, successfully creating racial harmony enabling people to live peacefully in Malaysia as 'one nation' spirit '*Bangsa Malaysia*' or 'Malaysian nation', it is timely for the Malays to accept meritocracy rather than a quota-based allocation in all areas of the socio-economy, including entrepreneurial financial assistance. The Prime Minister of Malaysia has announced that a review of any affirmative action to help *Bumiputeras* or the Malays should be based on merit to ensure that only the most qualified will be promoted, such as a good, tested and dedicated *Bumiputera* who can succeed, insisting that they should no longer depend solely on quotas as this would prevent them from gaining expertise and managerial skills (*The Star*, 2011).

In this regard, the writer is inclined to support this idea, but the preference for a meritocracy and the diminishing of the allocation of quotas should clearly be based on facts and figures by creating a proper database so as to avoid the misleading impression that the 'real target group' is the so-called 'tested and dedicated *Bumiputeras*' as this would end up with only the 'politically well-connected type of entrepreneurs' becoming the beneficiaries of the new movement, with the real target groups continuously lagging behind, especially the marginal groups regardless of ethnicity, and these are the genuine cases and the proven longer-survivors in terms of carrying out entrepreneurial activities, as has been demonstrated from the samples of family businesses discussed in Chapter 5 and Chapter 6.



The government bureaucrats should advise the state legislators and political masters on the appropriate implementation of such a critical movement in order to ensure that harmonious and peaceful lives are rightly accessible primarily for the benefit of the whole of the population and on the proper dissemination of the information nationwide, especially in the rural area known as the 'Malay-belt' of rural dwellers, since an incorrect interpretation of the motion could have a negative jeopardising effect, especially among the extremists and the ultras, which would undermine national unity and social harmony as was explained in Chapter 3. This indicates that that third research objective has been identified and fulfilled.

## **8.2 Research Contributions**

This section has listed the number of contributions throughout this study namely, theoretical and knowledge contribution, methodological as well as practical contributions as follow:

### **8.2.1 Theoretical and Knowledge Contributions**

8.2.1.1 In the context of family business study, the proposal of the three-cycle model by Gersick *et al.* (1997) has advanced our understanding of the overlapping dilemmas of intersection faced by family business owners and managers in both micro- and small-sized enterprises, particularly in the cross-cultural study to apply this theory. Both groups have been found to be almost identical in possessing a set of particular entrepreneurial characteristics using EO dimensions (Covin and Slevin, 1991; 1989) and a firm's volatility during its start-up phase, but the capacity of both for longer survival was enhanced through specific support groups or networking across ethnicities.

8.2.1.2 This research has further extended its contribution in the entrepreneurship domain on the longevity issues, in which past literatures tended to follow the agreed definition of performance and long-term survival as what medium-and large-scale firms measured through quantifying measurement of positive correlations. If success of longevity in micro- and small-sized were to be assessed by quantitative measurement or financial growth *per se* according to the conventional method for assessing businesses, most of the samples in this study were stagnant or to an extent were not successful and were certainly unable to survive longer if only the parameters of their growth are applied. However, the impracticality of such a measurement can be simply explained by the operational nature of micro- and small-sized family business which in

practice have just one employee, or no employees at all except for the owner or manager himself. In fact, therefore, the growth of the firm does exist although income from sales is recorded as 'spotty growth' (Storey and Greene, 2010), typified by shrinking and growing over a period months or years despite virtual non-growth in two critical measures, sales and number of employees, but the 'real growth' for them is being able to survive longer, and, as Zellweger *et al.* (2012) further suggested, this phenomenon is what makes family businesses different from non-family businesses. Thus, having a deeper understanding of the appropriate qualitative parameters by which to measure the survival of micro- and small-sized family businesses is particularly important because of the vitality and fragility of a firm's small size.

8.2.1.3 The new emergence of the term 'micro-sized' as a separate definition in the context of Malaysian enterprises has been developed by NSMDC as distinct from the broader term 'small-sized' and this is a rather good notion, although it has been long-time overlooked but it only came into the picture in 2005, 25 years since the first day of the implementation of the NEP, so previous researches could only address small-sized enterprises as a whole even though the problems were mostly faced by micro-sized entrepreneurs, and with the all-inclusive view of business activities prior to the revised 2005 definition, the specific problems of micro-sized firms have been largely ignored.

8.2.1.4 An institutional policy framework such as the NEP and its implementation has been proven to be the second-best option, and indeed was labelled the 'second best policy' (Lipsey and Lancaster, 1956), for the development of the economy especially for a developing country such as Malaysia with its multiple ethnicities. The contribution of this study by exploring the survival of micro- and small-sized family enterprises in their business endeavours is an enrichment of the literature contribution in the specific context of Malaysia, and in Asian and Western literature generally.

8.2.1.5 The study of the contribution of EO constructs (Covin and Slevin, 1991; 1989) on family businesses shows that they play a vital part in the entrepreneurial culture, confirming the findings of earlier researchers such as Zellweger *et al.* (2012), Nordqvist and Merlin (2010) and Naldi *et al.* (2007) and signifies a new meaning and concept of EO as entrepreneurial family orientation (EFO), as was discussed in Chapter 4, to include the element of 'familiness' in applying the constructs. This theoretical application of the EO in a different research context in terms of

family businesses has resulted in the ‘contextual contribution’ of the original theory, and seems to offer an option in the study of family business culture of using that validated construct or of continuing to use Hofstede’s (1980) widely-recognised dimensions of organisational cultures.

8.2.1.6 This thesis extends the understanding of ethnic entrepreneurship in the body of knowledge in which it has proven that the multi-racial society as in the case of Malaysia has its advantage in term of networking development across ethnicities. The Malays as a native population have no longer to rely solely on the Chinese entrepreneurs as a ‘middle-man’ (Bonacich, 1973) to supply them with daily needs as majority customers. Although this scenario has happened in the past, the government intervention in the field of businesses has developed new breeds of Malays entrepreneurs, thus developing networking with the Chinese counterpart as ‘win-win’ situations. This cross-cultural networking further enhances social interactive phenomena across ethnicities which leads to less prejudice towards each other and promising racial harmony in the context of business development.

## **8.2.2 Methodological Contribution**

This research has contributed to the area of methodology in family business research in the following ways.

8.2.2.1 The main contribution has been the use of a mixed-method approach which, especially in exploratory research, has allowed us to further appraise the need to understand the complexity of family business systems, and to study the cultural characteristics of the owners or managers of family enterprises, since quantitative methods are only able to identify a set of one-dimensional characteristics in terms of parameters and fail to explain more fully the justification of managerial actions being taken or not being taken, and, more interestingly, a ‘surprise’ answer achieved through verbal and non-verbal assessment could be spontaneously spelt out during an interview. Our interview samples of the MFB were differently drawn from the directory which the survey used so as to allow a different assumption and interpretation between the two sets of samples being studied.

### **8.2.3 Practical Contribution**

8.2.3.1 This study has enabled a review of the policy relating to micro financing in terms of lending money by including family business criteria if the micro-business start-up applications for loans are commonly being rejected during the inception stage, even though the applicant has provided evidence of the healthy state of the business.

8.2.3.2 This study has reviewed the importance of giving loans to the second generations of family business in order to boost their efforts to continue a family business, even though the successor is a new owner or has newly taken over his founder's entity.

8.2.3.3 It is important to encourage networking integration programmes across ethnicities by choosing the most successful enterprises as a 'key mentors' for new ventures among family business.

### **8.3 Limitations of the Research**

8.3.1 There are inevitable limitations inherent in this research study and the two principal ones are discussed next. The Malaysian Indian ethnic group was not included in the research so it was not possible to examine their ability to survive in family business in Malaysia; the majority of Malaysian Indians are Hindus, and the remainder follow convert beliefs as Indian Muslims or Christians. Including the Malaysian Indian ethnic group on this study would have made it possible to attest whether their religious values do contribute to their long-term survival, as Indian Muslims are renowned for their survival and success as restaurant owners and operators. Indians in Malaysia are well-known for their obedience, docility and loyalty as a result of the caste system practised by them and of being placed at the lowest level within their communal society in their country of origin, since it was the British who allowed them to be brought to Malaya during the colonial period to work in the rubber plantations, and most of them came from the southern part of the Indian continent and were largely members of the 'untouchable' castes of Tamils and Telugus (Manickam, 2012).

8.3.2 The second limitation is that by not including the ethnic Chinese in the quantitative method of the questionnaire survey, it was not possible to make comparisons of the magnitude and parameters across the two different ethnicities studied and this has meant that the in-depth

interviews have had limitations in respect of generalising the findings to all the represented persons.

#### **8.4 Recommendations for Future Research**

8.4.1 A study using a survey of CFB should include their ethnic or clanship origin in order to differentiate which clanships are still dominant in specific sectors, as previous studies have shown that the type of businesses displayed by CFB in Malaysia can be identified through their ethnic origin, such as *Hokkien* on retailing, tailors were *Hakka*, coffee-shop were *Hailam* (Lim, 1979; Han 1975) and so on.

8.4.2 In future studies of succession issues, two samples should be approached by questioning both the founders and the successors in family businesses by using EFO (Entrepreneurial Family Orientation) proposed by Zellweger *et al.* (2012) in order to see how the transition process can be achieved easily and smoothly, and an appropriate research design should therefore be devised which can delve into the secrecy, complexity and ‘uniqueness’ of family business operations.

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**Conversion Rate: 1 Great Britain Pound (GBP) = Ringgit Malaysia (RM)**

<b>Year</b>	<b>Conversion Rate 1 GBP=RM</b>	<b>Year</b>	<b>Conversion Rate 1 GBP=RM</b>
<b>1961</b>	8.5429	<b>1987</b>	4.6679
<b>1962</b>	8.5429	<b>1988</b>	4.8683
<b>1963</b>	8.5524	<b>1989</b>	4.3407
<b>1964</b>	8.5714	<b>1990</b>	5.1735
<b>1965</b>	8.5714	<b>1991</b>	5.0862
<b>1966</b>	8.5714	<b>1992</b>	3.9405
<b>1967</b>	7.3551	<b>1993</b>	3.9901
<b>1968</b>	7.3063	<b>1994</b>	3.9901
<b>1969</b>	7.3838	<b>1995</b>	3.9302
<b>1970</b>	7.3663	<b>1996</b>	4.2747
<b>1971</b>	7.3688	<b>1997</b>	6.4449
<b>1972</b>	6.6121	<b>1998</b>	6.3313
<b>1973</b>	5.5908	<b>1999</b>	6.1389
<b>1974</b>	5.4267	<b>2000</b>	5.6662
<b>1975</b>	5.2370	<b>2001</b>	5.5161
<b>1976</b>	4.3150	<b>2002</b>	6.0924
<b>1977</b>	4.5300	<b>2003</b>	6.7678
<b>1978</b>	4.4904	<b>2004</b>	7.3169
<b>1979</b>	4.8643	<b>2005</b>	6.5226
<b>1980</b>	5.2988	<b>2006</b>	6.9315
<b>1981</b>	4.2903	<b>2007</b>	6.6070
<b>1982</b>	3.7595	<b>2008</b>	4.9989
<b>1983</b>	3.4016	<b>2009</b>	5.5001
<b>1984</b>	2.8254	<b>2010</b>	4.7817
<b>1985</b>	3.4755	<b>2011</b>	4.8962
<b>1986</b>	3.8242	<b>Sep-12</b>	4.9829

Source: Central Bank of Malaysia (*Bank Negara Malaysia*) as of September 2012



PUBLIC SERVICE DEPARTMENT OF MALAYSIA  
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Our Ref : JPA(L)A2000445  
Date : 03<sup>rd</sup> March 2010

To Whom It May Concern

Dear Sir/Madam,

**RE : NOR FUAD ABDUL HAMID**

I am writing to inform you that Mr. Nor Fuad Abdul Hamid is one of our sponsored student and currently at the The York Management School, University of York, England United Kingdom for his PhD studies. His sponsorship is effective from 01<sup>st</sup> August 2008 until 30<sup>th</sup> July 2010.

2. He is currently conducting a research on "*The Family Business Survival in Malaysia*" as a requirement for the award of the doctoral degree.
3. We appreciate if you may render him any assistance related to his research.

Thank you.

Yours sincerely,

  
**(DATIN HANILA FAIZA ZAINAL ABIDIN)**

Human Capital Development Division  
In-service Training Unit 1  
for. Director General,  
Public Service Department of  
MALAYSIA



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Bil. MARA :  
Tarikh : 14 April 2010

Kepada sesiapa yang berkenaan.

Y.Bhg. Dato'/Datin/Tuan/Puan,

**BORANG SOAL SELIDIK KAJIAN MENGENAI USAHAWAN KELUARGA DI MALAYSIA**

Perkara di atas dengan hormatnya adalah dirujuk.

2. Adalah dimaklumkan bahawa Encik Nor Fuad Bin Abdul Hamid sedang menjalankan kajian mengenai "**Penerusan Hidup Perniagaan Keluarga di Malaysia**" (**The Family Business Survival in Malaysia**). Beliau adalah pelajar Ijazah Lanjutan yang sedang menyambung pengajian di University of York, England UK.

3. Sehubungan dengan itu, kerjasama dan sokongan dari tuan/puan adalah diperlukan untuk melengkapkan Borang Soal Selidik yang disertakan bersama ini dan dikembalikan semula kepada beliau atau wakil beliau.

4. Semoga dengan kerjasama yang diberikan akan menambahkan lagi penyelidikan dan kajian berkaitan keusahawanan di negara kita dan membantu meningkatkan lagi keupayaan usahawan Bumiputera secara khusus.

5. Kerjasama daripada pihak tuan/puan didahului dengan ucapan ribuan terima kasih.

Sekian.

**'BERKHIDMAT UNTUK NEGARA'  
'CEMERLANG, GEMILANG, TERBILANG'**

**AHMAD SABRI BIN KASSIM**  
Ketua Penolong Pengarah,  
Bahagian Hal Ehwal Korporat  
MARA

*"MARA terus mara"*  
**"KEUSAHAWANAN KERJAYA PILIHAN"**



***The York Management School***

THE UNIVERSITY *of York*

**“A Survey on Family Business Survival”**

Dear Sir/Madam,

Kindly be informed that I am a Malaysian currently pursuing my doctoral degree in Entrepreneurship Management at The York Management School, University of York, United Kingdom.

2. I am currently conducting a research survey for my thesis under the supervision of Professor Teresa Da Silva Lopes of The York Management School. This research is fully-funded by the Government of Malaysia (a letter from the sponsor is attached). The purpose of this survey is to study the survival of Malay family business.

3. Your opinion and cooperation in answering the enclosed questionnaire is to identify set of characteristics of family business practices in order to relate business survival among Malays. Please be assured that your response will be kept strictly confidential and your identity will not be disclosed. Only aggregated data will be used for statistical analysis solely for the purpose of this research. There are no correct or wrong answers of the questionnaire.

Thank you very much for your time and cooperation.

**Nor Fuad Abdul Hamid**  
**Doctoral Student**  
**The York Management School**  
**University of York**  
**YO10 5DD**  
**England**  
**United Kingdom**  
Email: nfah500@york.ac.uk

**Part A: Business Profile**

**For question from no. 1 to 10, please tick (√) your best answer for each question:**

1. Status of Business Registration (Please tick your answer):
  - a) Enterprise/Sole Proprietorship: \_\_\_\_\_
  - b) Limited by Share : \_\_\_\_\_
  - c) Cooperative : \_\_\_\_\_
  - d) Others (please specify) : \_\_\_\_\_
  
2. To date, how many years your firm has started running the business (making the first year of sales)?
  - a) Less than 5 years: \_\_\_\_\_
  - b) Between 6- 10 years : \_\_\_\_\_
  - c) Between 11- 15 years: \_\_\_\_\_
  - d) Between 16- 20 years: \_\_\_\_\_
  - e) Between 21-25 years: \_\_\_\_\_
  - f) More than 25 years: \_\_\_\_\_
  
3. Nature of Business:
  - a) Service (e.g. food & beverage, retail, laundry, legal, audit): \_\_\_\_\_
  - b) Manufacturing: \_\_\_\_\_
  - c) Wholesale: \_\_\_\_\_
  - d) Construction: \_\_\_\_\_
  - e) Others (please specify): \_\_\_\_\_

4. Does your business indirectly involved with family's members (i.e. husband, wife, children, siblings, cousins and related or extended family members) in term of shareholding and partnership?  
**YES \*/ NO \*** (\* cross which is not relevant)

**IMPORTANT**: If your answer is '**YES**', please proceed to the following questions, otherwise (if the answer is '**NO**', please return back the questionnaire to the researcher.

5. Number of shares held by family members in your business (in percentage- %):
- a) Less than 50%; \_\_\_\_\_
  - b) Between 51%- 99.9%; \_\_\_\_\_
  - c) Wholly-owned 100%: \_\_\_\_\_
6. **Please SELECT AND TICK (✓) THE MOST APPROPRIATE situation explaining your current business ownership and management**
- a) I/We **own** the family business and **manage** it as well: \_\_\_\_\_
- OR;**
- b) I/We **own** the family business **BUT NOT manage** it: \_\_\_\_\_
- OR;**
- c) I/We **manage** the family business **BUT NOT own** the share (no holding any shares/capital):  
\_\_\_\_\_
7. What is your highest qualification?
- a) Primary School (UPSR) \_\_\_\_\_ ;
  - b) Lower Secondary (SRP/PMR): \_\_\_\_\_
  - c) Upper Secondary (SPM/STPM) \_\_\_\_\_ ;

d) Diploma: \_\_\_\_\_

e) Degree: \_\_\_\_\_

8. Gender:

1) Male: \_\_\_\_\_

2) Female: \_\_\_\_\_

9. Number of employees when the business was **first started (start running the business)** and for the last **three (3) consecutive years**. Please fill in the table below;

Years	First Year of Business (in operation)	2007	2008	2009
No. of Employee				

10. Annual Sales Turnover for the **last three (3) consecutive years**:

2007	2008	2009
a) ___ LESS than RM250,000; b) ___ BETWEEN RM250,001 to RM1.0 million; c) ___ MORE than RM1.0 million to RM 5.0 million; d) ___ MORE than RM 5.0 million	a) ___ LESS than RM250,000; b) ___ BETWEEN RM250,001 to RM1.0 million; c) ___ MORE than RM1.0 million to RM 5.0 million; d) ___ MORE than RM 5.0 million	a) ___ LESS than RM250,000; b) ___ BETWEEN RM250,001 to RM1.0 million; c) ___ MORE than RM1.0 million to RM 5.0 million; d) ___ MORE than RM 5.0 million

11. Have you ever **failed and closed (stop operating)** in any family business venturing before and in what year? *(please tick (√) your best answer and write the year if related)*

1) Yes \_\_\_\_\_ in what year: \_\_\_\_\_

OR:

2) No: \_\_\_\_\_

12. What are your **main challenges** in order for your family business continues to survive?

**(Direction for question N0. 12:** Please answer by **giving the rank 1, 2, 3, 4, 5 and 6** varying for each of sub-question from **(a) to (f)** based on your experience. Please note that each sub-question must represent **one ranking number** only )

a) Capital Turnover: \_\_\_\_\_;

b) Credit Facilities (banking loan, supplier's credit facility): \_\_\_\_\_;

c) Strategic Business Location: \_\_\_\_\_;

d) Competitive Business Environment: \_\_\_\_\_;

e) Skilled-worker: \_\_\_\_\_;

f) Supplier's Raw Material: \_\_\_\_\_

13. In your view why does your existing family business survive?

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**Part B: Culture of Family Business**

*For Question No. 14 to 38, please circle one of the following numbers based on 5-scale as below:*

*Strongly Disagreed = 1*

*Disagreed = 2*

*Neutral = 3*

*Agreed = 4*

*Strongly Agreed = 5*

*( strongly disagreed) 1.....2.....3.....4.....5 ( strongly agreed)*

-----

14. Family members support the family business in discussions with friends, employees, and other family members.

*( strongly disagreed) 1.....2.....3.....4.....5 ( strongly agreed)*

15. Family members are proud to tell others that we are part of the family business.

*( strongly disagreed) 1.....2.....3.....4.....5 ( strongly agreed)*

16. Family members agree with the family business goals, plans, and policies.

*( strongly disagreed) 1.....2.....3.....4.....5 ( strongly agreed)*

17. Family members really care about the fate of the family business.

*( strongly disagreed) 1.....2.....3.....4.....5 ( strongly agreed)*

18. Deciding to be involved with the family business has a positive influence on my life.

*( strongly disagreed) 1.....2.....3.....4.....5 ( strongly agreed)*

19. The ideal owner/manager is like a parent.

*( strongly disagreed) 1.....2.....3.....4.....5 ( strongly agreed)*

20. Owner/Manager knows best what is good for their subordinates.

*( strongly disagreed) 1.....2.....3.....4.....5 ( strongly agreed)*

21. Owner/Managers should provide fatherly advice and directions to their subordinates.

*( strongly disagreed) 1.....2.....3.....4.....5 ( strongly agreed)*

22. People in authority should take care of their employees/subordinates as they would take care of their children.

*( strongly disagreed) 1.....2.....3.....4.....5 ( strongly agreed)*

23. The experience and wisdom of owner/manager are the best guidelines for employees/subordinates

*( strongly disagreed) 1.....2.....3.....4.....5 ( strongly agreed)*

24. What is different is dangerous.

( *strongly disagreed*) 1.....2.....3.....4.....5 ( *strongly agreed*)

25. Humans are able to determine the course of their lives.

( *strongly disagreed*) 1.....2.....3.....4.....5 ( *strongly agreed*)

26. Rules are made to be broken.

( *strongly disagreed*) 1.....2.....3.....4.....5 ( *strongly agreed*)

27. It is better to live day by day, instead of worrying about the future.

( *strongly disagreed*) 1.....2.....3.....4.....5 ( *strongly agreed*)

28. An organisation should be run according to standard operating procedures.

( *strongly disagreed*) 1.....2.....3.....4.....5 ( *strongly agreed*)

29. Changes in the environment are bad for the business.

( *strongly disagreed*) 1.....2.....3.....4.....5 ( *strongly agreed*)

30. It is fine to make mistake.

( *strongly disagreed*) 1.....2.....3.....4.....5 ( *strongly agreed*)



**Part C: Entrepreneurial Orientation**

31. In dealing with competitors, my firm often leads the competition, initiating actions to which our competitors have to respond.

*( strongly disagreed) 1.....2.....3.....4.....5 ( strongly agreed)*

32. In dealing with competitors, my firm typically adopts a very competitive posture aiming at overtaking the competitors.

*( strongly disagreed) 1.....2.....3.....4.....5 ( strongly agreed)*

33. In general, the top managers (decision makers) of my firm have a strong propensity for high-risk projects (with chances of very high return).

*( strongly disagreed) 1.....2.....3.....4.....5 ( strongly agreed)*

34. The top managers (decision makers) believe, owing to the nature of the environment, that bold, wide-ranging acts are necessary to achieve firm's objectives.

*( strongly disagreed) 1.....2.....3.....4.....5 ( strongly agreed)*

35. When there is uncertainty, our organization typically adopts a "wait-and-see" posture in order to minimize the probability of making costly decisions.

*( strongly disagreed) 1.....2.....3.....4.....5 ( strongly agreed)*

36. Management actively responds to the adoption of “new ways of doing things” by main competitors.

*( strongly disagreed) 1.....2.....3.....4.....5 ( strongly agreed)*

37. In family business, we are willing to try new ways of doing things and seek unusual, novel solutions.

*( strongly disagreed) 1.....2.....3.....4.....5 ( strongly agreed)*

38. In family business, we encourage people to think and behave in original and novel ways.

*( strongly disagreed) 1.....2.....3.....4.....5 ( strongly agreed)*

END OF SURVEY- THANK YOU

# THE UNIVERSITY *of York*

## Humanities and Social Sciences Ethics Committee

### SUBMISSION FORM

***Please refer to the Guidance Notes at the end before filling in this form***

***NB** If you are collecting data from **NHS** patients or staff, or **Social Service** users or staff, you will need to apply for approval through the Integrated Research Application System (IRAS) at <https://www.myresearchproject.org.uk/Signin.aspx>*

*Please fill in the IRAS form NOT this one and send your completed IRAS form to HSSEC for health and social services research.*

#### **1. Please provide the following details about the principal investigator.**

Name	NOR FUAD BIN ABDUL HAMID
Post	PhD Student
Qualifications	BA (Hons); Master of Business Administration (MBA)
Organisation	The York Management School
Address of Organisation	Block A, Sally Baldwin, Univ. of York, YO10 5DD
Email	nfah500@york.ac.uk
Telephone	07847258252

#### **2. If the research is being undertaken as part of an educational course, please provide the following details.**

Name and level of course/degree	PhD (Management)
Name and address of educational establishment	The York Management School Block A, Sally Baldwin, Univ. of York, YO10 5DD
Name and contact details of supervisor	Professor Teresa da Silva Lopes TEL: 01904434167

**3. Please list any other key collaborators or key members of the research team (add /expand as necessary).**

Name	n/a
Post	n/a
Qualifications	n/a
Organisation	n/a
Address of Organisation	n/a
Email	n/a
Telephone	n/a

**4. Please state the full title of the research.**

<p>PhD Working Title:</p> <p>“The Influence of Ethnic Cultures and Entrepreneurial Orientation on Survival of Micro-Sized and Small-Sized Family Businesses: A Comparative Study Between Malay and Chinese Family Businesses in Malaysia”</p>
---

**5. Please state source of any funding for the research.**

<p>Fully-sponsored by: The Government of Malaysia</p>
---

**6. Are any ethical concerns / conflicts of interest likely to arise as a consequence of funding source (with respect to your own work or that of other individuals/departments within in the University e.g. perceived or actual with respect to direct payments, research funding, indirect sponsorship, board or organisational memberships, past associations, future potential benefits, other...)**

<p>no</p>
-----------

## INFORMED CONSENT FORM

The York Management School  
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 Heslington, York YO10 5ET  
 Tel: +44(0)1904 433431  
 Fax: +44(0)1904 434163  
 Email: nfah500@york.ac.uk

### “The Survivability of Micro-and Small-Sized Family Businesses in Malaysia”

Researcher/Investigator: Nor Fuad Bin Abdul Hamid

(Please Tick Each Box)

1.	I confirm that I have read and understand clearly the information sheet for this research and have had the opportunity to ask question about the study	
2.	I understand that my participant in this study is voluntarily and I am free to withdraw from the research at any time without giving any reason and without detriment to myself and my organisation	
3.	I agree to participate in this study	
4.	I understand that the interview will be audio-taped	
5.	I understand that only the members of the research team have access to the information collected during the study	
6.	I am aware that the information collected during the interview will be used to write up a PhD thesis, as well as journal articles and books	
7.	I understand that information collected during the course of the research project will be treated as confidential. This means that my name, or any other information that could identify me, will not be included in anything written as a result of the research	
8.	I understand that the information obtained will be retained in locked filling cabinets in a storeroom in the Management School, University of York and will be destroyed after the study complete.	

Name of Participant:	Date:	Signature:
Name of Researcher:	Date:	Signature:

## Reliability

### Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.736	.735	4

### Item Statistics

	Mean	Std. Deviation	N
Mean Family Business Component	4.2575	.53770	226
mean for paternalistic	4.2115	.53537	226
Mean Uncertainty Avoidance	3.6150	.51092	226
mean for Entrepreneurial Orientation	3.9121	.60731	226

**Item-Total Statistics**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Mean Family Business Component	11.7386	1.690	.510	.401	.686
mean for paternalistic	11.7846	1.575	.618	.469	.625
Mean Uncertainty Avoidance	12.3811	1.857	.412	.245	.737
mean for Entrepreneurial Orientation	12.0841	1.468	.581	.371	.645

**Scale Statistics**

Mean	Variance	Std. Deviation	N of Items
15.9961	2.692	1.64062	4

## Normality Test of Kolmogorov-Smirnov

**Tests of Normality**

	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Mean Family Business Component	.158	226	.000	.932	226	.000
mean for paternalistic	.138	226	.000	.948	226	.000
Mean Uncertainty Avoidance	.108	226	.000	.971	226	.000
mean for Entrepreneurial Orientation	.114	226	.000	.942	226	.000

a. Lilliefors Significance Correction



## Frequency Table: Profile and Demographic of Respondents

**BizState**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Ent	187	82.7	82.7	82.7
	PrvtLtd	36	15.9	15.9	98.7
	Others	3	1.3	1.3	100.0
	Total	226	100.0	100.0	

**YearOperate**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	<5	103	45.6	45.6	45.6
	6-10	72	31.9	31.9	77.4
	11-15	29	12.8	12.8	90.3
	16-20	15	6.6	6.6	96.9
	21-25	7	3.1	3.1	100.0
	Total	226	100.0	100.0	

**TypeBiz**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	service	175	77.4	77.4	77.4
	Manufacturing	18	8.0	8.0	85.4
	wholesaler	19	8.4	8.4	93.8
	construction	12	5.3	5.3	99.1
	Others	2	.9	.9	100.0
	Total	226	100.0	100.0	

**IndirectFamilyOwnweship**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	226	100.0	100.0	100.0

**FamilyShareOwnership**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid <50%	8	3.5	3.5	3.5
51%>,>99.9%	12	5.3	5.3	8.8
100%	206	91.2	91.2	100.0
Total	226	100.0	100.0	

**SituationFamilyBiz**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Own&managed	204	90.3	90.3	90.3
Own&notmanaged	13	5.8	5.8	96.0
NotOwned	9	4.0	4.0	100.0
Total	226	100.0	100.0	

**HighestQualification**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid UPSR	1	.4	.4	.4
SRP/PMR	14	6.2	6.2	6.6
SPM	156	69.0	69.0	75.7
Diploma	43	19.0	19.0	94.7
Ijazah	12	5.3	5.3	100.0
Total	226	100.0	100.0	

**Gender**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	151	66.8	66.8	66.8
	Female	75	33.2	33.2	100.0
	Total	226	100.0	100.0	

### Main Challenges Faced by Malay Family Businesses in Klang Valley

**FamBizChallenges**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strategic Biz Loc	62	27.3	27.3	27.3
Biz Capital Turnover	56	25	25	52.3
Credit Facility	51	22.4	22.4	74.7
Competitive Biz Environment	32	14.2	14.2	88.9
Skilled Worker	18	8	8	96.9
Supplier of Raw Material	7	3.1	3.1	100.0
Total	226	100.0	100.0	

**Malay Family Business Practices in Klang Valley**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
Teamwork	8	3.5	3.5	3.5
Continuous Improvement	8	3.5	3.5	7.0
Customer Satisfaction	25	11.4	11.4	18.4
Customer Relationship	24	10.5	10.5	28.9
Customer Loyalty	27	12.3	12.3	41.2
Competitive Price	4	1.8	1.8	43.0
Supported and Run by Family	24	10.5	10.5	53.5
Parent's Will	4	1.8	1.8	55.3
Reliable Product	4	1.8	1.8	57.0
sincerity	2	.9	.9	57.9
honesty	2	.9	.9	58.8
opportunist	10	4.4	4.4	63.2
new product design	6	2.6	2.6	65.8
attractive product	4	1.8	1.8	67.5
main / source income	22	9.6	9.6	77.2
regular customer	2	.9	.9	78.1
business networking	12	5.3	5.3	83.3
given top priority	4	1.8	1.8	85.1
easy to manage	2	.9	.9	86.0
resilient towards risk	2	.9	.9	86.8
high motivation	6	2.6	2.6	89.5
experience	4	1.8	1.8	91.2
strategic location	2	.9	.9	92.1
ambitious to become entrepreneur	12	5.3	5.3	97.4
skilled worker	4	1.8	1.8	99.1
patience	2	.9	.9	100.0
Total	226	100.0	100.0	
Total	226	100.0		

**Crosstabs: Gender vs Average Employee Growth (AEG)**

**Case Processing Summary**

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Gender * AverageEmployeeGrow 2007-09	226	100.0%	0	.0%	226	100.0%

**Gender \* AverageEmployeeGrow2007-09 Crosstabulation**

			AverageEmployeeGrow2007-09		Total
			1.00	2.00	
Gender	Male	Count	148	3	151
		Expected Count	148.3	2.7	151.0
		% within Gender	98.0%	2.0%	100.0%
	Female	Count	74	1	75
		Expected Count	73.7	1.3	75.0
		% within Gender	98.7%	1.3%	100.0%
		% within AverageEmployeeGrow2007-09	66.7%	75.0%	66.8%
		% of Total	65.5%	1.3%	66.8%
Total	Count		222	4	226
	Expected Count		222.0	4.0	226.0
	% within Gender		98.2%	1.8%	100.0%
	% within AverageEmployeeGrow2007-09		100.0%	100.0%	100.0%
	% of Total		98.2%	1.8%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	.123 <sup>a</sup>	1	.726		
Continuity Correction <sup>b</sup>	.000	1	1.000		
Likelihood Ratio	.129	1	.719		
Fisher's Exact Test				1.000	.595
Linear-by-Linear Association	.123	1	.726		
N of Valid Cases	226				

a. 2 cells (50.0%) have expected count less than 5. The minimum expected count is 1.33.

b. Computed only for a 2x2 table

**Crosstabs: Gender vs Average Sales Growth (ASG)**

**Case Processing Summary**

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Gender * AverageSalesGrow2007-09	226	100.0%	0	.0%	226	100.0%

**Gender \* AverageSalesGrow2007-09 Crosstabulation**

			AverageSalesGrow2007-09		Total
			1.00	2.00	
Gender	Male	Count	150	1	151
		Expected Count	150.3	.7	151.0
		% within Gender	99.3%	.7%	100.0%
	AverageSalesGrow2007-09	% within	66.7%	100.0%	66.8%
		% of Total	66.4%	.4%	66.8%
Female	Count	Count	75	0	75
		Expected Count	74.7	.3	75.0
		% within Gender	100.0%	.0%	100.0%
	AverageSalesGrow2007-09	% within	33.3%	.0%	33.2%
		% of Total	33.2%	.0%	33.2%
Total	Count	Count	225	1	226
		Expected Count	225.0	1.0	226.0
		% within Gender	99.6%	.4%	100.0%
	AverageSalesGrow2007-09	% within	100.0%	100.0%	100.0%
		% of Total	99.6%	.4%	100.0%



**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	.499 <sup>a</sup>	1	.480		
Continuity Correction <sup>b</sup>	.000	1	1.000		
Likelihood Ratio	.809	1	.369		
Fisher's Exact Test				1.000	.668
Linear-by-Linear Association	.497	1	.481		
N of Valid Cases	226				

a. 2 cells (50.0%) have expected count less than 5. The minimum expected count is .33.

b. Computed only for a 2x2 table

**Crosstabs: Gender VS Yr Operate**

**Case Processing Summary**

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
YearOperate * Gender	226	100.0%	0	.0%	226	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.176 <sup>a</sup>	3	.243
Likelihood Ratio	4.398	3	.222
Linear-by-Linear Association	4.100	1	.043
N of Valid Cases	226		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 7.30.

**Crosstab**

		Gender		Total
		Male	Female	
YearOperate <5	Count	63	40	103
	Expected Count	68.8	34.2	103.0
	% within YearOperate	61.2%	38.8%	100.0%
	% within Gender	41.7%	53.3%	45.6%
	% of Total	27.9%	17.7%	45.6%
6-10	Count	49	23	72
	Expected Count	48.1	23.9	72.0
	% within YearOperate	68.1%	31.9%	100.0%
	% within Gender	32.5%	30.7%	31.9%
	% of Total	21.7%	10.2%	31.9%
11-15	Count	21	8	29
	Expected Count	19.4	9.6	29.0
	% within YearOperate	72.4%	27.6%	100.0%
	% within Gender	13.9%	10.7%	12.8%
	% of Total	9.3%	3.5%	12.8%
16-25	Count	18	4	22
	Expected Count	14.7	7.3	22.0
	% within YearOperate	81.8%	18.2%	100.0%
	% within Gender	11.9%	5.3%	9.7%
	% of Total	8.0%	1.8%	9.7%
Total	Count	151	75	226
	Expected Count	151.0	75.0	226.0
	% within YearOperate	66.8%	33.2%	100.0%
	% within Gender	100.0%	100.0%	100.0%
	% of Total	66.8%	33.2%	100.0%

**Mann-Whitney Test: Gender VS EO**

**Ranks**

	Gender	N	Mean Rank	Sum of Ranks
mean for Entrepreneurial Orientation	Male	151	122.19	18450.50
	Female	75	96.01	7200.50
	Total	226		

**Test Statistics<sup>a</sup>**

	mean for Entrepreneurial Orientation
Mann-Whitney U	4350.500
Wilcoxon W	7200.500
Z	-2.841
Asymp. Sig. (2-tailed)	.004

a. Grouping Variable: Gender

**Mann-Whitney Test: Gender VS Paternalism**

**Ranks**

	Gender	N	Mean Rank	Sum of Ranks
mean for paternalistic	Male	151	118.66	17917.50
	Female	75	103.11	7733.50
	Total	226		

**Test Statistics<sup>a</sup>**

	mean for paternalistic
Mann-Whitney U	4883.500
Wilcoxon W	7733.500
Z	-1.695
Asymp. Sig. (2-tailed)	.090

a. Grouping Variable: Gender

**Mann-Whitney Test: Gender VS Uncertainty Avoidance**

**Ranks**

	Gender	N	Mean Rank	Sum of Ranks
Mean Uncertainty Avoidance	Male	151	117.92	17806.50
	Female	75	104.59	7844.50
	Total	226		

**Test Statistics<sup>a</sup>**

	Mean Uncertainty Avoidance
Mann-Whitney U	4994.500
Wilcoxon W	7844.500
Z	-1.448
Asymp. Sig. (2-tailed)	.148

a. Grouping Variable: Gender

## Kruskal-Wallis Test: Education VS Uncertainty Avoidance

**Descriptive Statistics**

	N	Mean	Std. Deviation	Minimum	Maximum
Mean Uncertainty Avoidance	226	3.6150	.51092	2.57	4.86
Highest Qualification	226	3.23	.658	1	5

**Test Statistics<sup>a,b</sup>**

	Mean Uncertainty Avoidance
Chi-Square	<b>5.073</b>
df	<b>4</b>
Asymp. Sig.	<b>.280</b>

a. Kruskal Wallis Test

b. Grouping Variable: Highest  
Qualification

**Kruskal-Wallis Test: Education vs PAT**

**Ranks**

	Highest Qualification	N	Mean Rank
mean for paternalistic	1	1	84.00
	2	14	143.89
	3	156	113.97
	4	43	106.98
	5	12	97.79
	Total	226	

**Test Statistics<sup>a,b</sup>**

	mean for paternalistic
Chi-Square	4.418
df	4
Asymp. Sig.	.352

a. Kruskal Wallis Test

b. Grouping Variable: Highest Qualification



**Kruskal-Wallis Test: Education vs EO**

**Ranks**

	Highest Qualification	N	Mean Rank
mean for Entrepreneurial Orientation	1	1	35.00
	2	14	107.14
	3	156	112.84
	4	43	121.77
	5	12	106.38
	Total	226	

**Test Statistics<sup>a,b</sup>**

	mean for Entrepreneurial Orientation
Chi-Square	2.431
df	4
Asymp. Sig.	.657

a. Kruskal Wallis Test

b. Grouping Variable:  
HighestQualification

**Kruskal-Wallis Test: Yr Operate VS Uncertainty Avoidance**

**Ranks**

	YearOperate	N	Mean Rank
Mean Uncertainty Avoidance	<5	103	116.13
	6-10	72	114.81
	11-15	29	132.19
	16-20	15	72.63
	21-25	7	71.50
	Total	226	

**Test Statistics<sup>a,b</sup>**

	Mean Uncertainty Avoidance
Chi-Square	11.392
df	4
Asymp. Sig.	.022

a. Kruskal Wallis Test

b. Grouping Variable:

YearOperate

**Kruskal-Wallis Test: Year and Average Sales Growth (ASG)**

**Descriptive Statistics**

	N	Mean	Std. Deviation	Minimum	Maximum
Average Sales Growth 2007-09	226	1.0044	.06652	1.00	2.00
Year Operate	226	1.87	.980	1	4

**Ranks**

	Year Operate	N	Mean Rank
Average Sales Growth 2007-09	<5	103	113.00
	6-10	72	113.00
	11-15	29	113.00
	16-25	22	118.14
	Total	226	

**Test Statistics<sup>a,b</sup>**

	Average Sales Growth 2007-09
Chi-Square	9.273
df	3
Asymp. Sig.	.026

a. Kruskal Wallis Test

b. Grouping Variable: YearOperate

**Kruskal-Wallis Test: Year vs Average Employee Growth (AEG)**

**Descriptive Statistics**

	N	Mean	Std. Deviation	Minimum	Maximum
Average Employee Growth 2007-09	226	1.0177	.13215	1.00	2.00
Year Operate	226	1.87	.980	1	4

**Ranks**

YearOperate	N	Mean Rank
<5	103	111.50
6-10	72	114.64
11-15	29	115.40
16-25	22	116.64
Total	226	

**Test Statistics<sup>a,b</sup>**

	Average Employee Growth 2007-09
Chi-Square	3.705
df	3
Asymp. Sig.	.295

a. Kruskal Wallis Test

b. Grouping Variable: Year Operate

**Nonparametric Correlations: Spearman's RHO for Family Business Component (FBC), Paternalistic (PAT), Uncertainty Avoidance (UA) and Entrepreneurial Orientation (EO)**

**Correlations**

			Mean Family Business Component	Mean for Paternalistic	Mean Uncertainty Avoidance	Mean for Entrepreneurial Orientation
Spearman's rho	Mean Family Business Component (FBC)	Correlation Coefficient Sig. (2-tailed) N	1.000 . 226	.584** .000 226	.230** .000 226	.368** .000 226
	Mean for Paternalistic (PAT)	Correlation Coefficient Sig. (2-tailed) N	.584** .000 226	1.000 . 226	.283** .000 226	.471** .000 226
	Mean Uncertainty Avoidance (UA)	Correlation Coefficient Sig. (2-tailed) N	.230** .000 226	.283** .000 226	1.000 . 226	.499** .000 226
	Mean for Entrepreneurial Orientation (EO)	Correlation Coefficient Sig. (2-tailed) N	.368** .000 226	.471** .000 226	.499** .000 226	1.000 . 226

\*\* . Correlation is significant at the 0.01 level (2-tailed).