

CHAPTER 1

Introduction

1.1 Generational Change, Innovation Capacity and Enterprise Development

Since 2004, small and medium scale enterprises (SMEs) have been encouraged by the Malaysian government to strive for excellence to compete in an increasingly globalized marketplace. The government has supported this endeavour by encouraging SMEs to invest in research and development (R&D) to enhance their capacity to innovate. However, family business literature suggests that corporate organization features limit their ability to take advantage of incentives to innovate and upgrade the quality of their products (Hobday, 1995). Since economic change leads to market differentiation as changes in customer preference occur, firms face the possibility of losing the market they have already captured unless firms invest in R&D (Appiah-Adu and Singh, 1998). This means that there is a need to cultivate and develop the extent of innovation based on customer orientation (Vossen, 1999) which directly influences the development of technical skills and competence knowledge in family enterprises (McConaughy and Phillips, 1999).

As family enterprises grow from one generation to the next, research shows that engagement with or involvement in decision-making plays an important role in adopting innovation to develop an enterprise (Aronoff and Ward, 2001). There has, however, been very little empirical research on Malaysian family firms, which constitute a large segment of SMEs, to assess if the contentions of this literature about their innovation capacity are

valid. Thus, this study evaluates how generational change, such as succession when a new generation emerges as owners, influence family firms in terms of how the next generation explores their innovation capacity that is based on the founders' tacit knowledge. This study specifically assesses how multi generations in family firms (second and third generation) codify their tacit knowledge efficiently through new managerial styles, enterprise development characteristics and new product development.

Innovation is assessed in terms of upgrading the technology used to create new products from tacit knowledge. Innovation helps the enterprise serve society by creating economic value. There is no fixed model of family innovation. It depends on the family enterprise's industry, characteristics and capacity to innovate. Innovation provides a structure and method to help a family business compete with other enterprises, increasing its revenue, creating brand products and obtaining funds to grow. It is only through innovation that family enterprises can create value in business activities during times of economic crises. Innovation is dynamic and continuous, and it changes the objectives and forms of value creation within a family enterprise.

In most family firms, the owner's leadership and management style have significant influence on an enterprise's development to sustain longevity and achieve a competitive advantage in comparison to large organizations (Hale et al., 1996). When the leadership is dynamic and focused on innovation, considerable changes can occur within the firm, particularly in terms of the quality of goods and services produced by converting tacit knowledge into codified knowledge (Voss, 1998). In fact, a crucial factor to ensure the development of a family enterprise is innovation through which tacit knowledge is

developed in an effective way, thereby creating a niche for the firm, possibly also creating a product brand. Three basic company functions – research and development (R&D), marketing, and manufacturing – that can initiate this change from tacit knowledge to codified knowledge as well as create a system that avails itself to business opportunities that arise in the market as the economy rapidly evolves (Drucker, 1954) are considered.

Innovation is crucial for the development and long-term survival of companies as it stimulates an enterprise's growth towards long term sustainability (Porter 1980; Craig and Moores, 2006). Many of the longest surviving firms are family-owned and have prospered over many generations. Schumpeterian has classically defined innovation as five entities: new production, new ideas, new marketplace or channel, new supply chain and new mode of enterprise (Schumpeter, 1961). Innovative capacity refers to the extent in which the introduction of new methods can challenge the existing flow of processes in an organization in order to achieve their goal and objective (Damanpour, 1991; Hult et al., 2004).

From time to time, change has been researched in different ways (Burns and Stalker, 1961). There is a motivation to learn of success factors related to top-down relations and leadership, customer relationship management and to upgrade skills and capabilities. To upgrade is defined as the ability of an enterprise to make better and value-added products (Giuliani et al., 2005). Networking is seen as an antecedent of innovation with a view of creating an ongoing process.

The issue of innovation plays a vital role in every development or transformation policy agenda. By institutionalizing innovation processes within *innovation systems*, policy-makers endeavour to nurture and develop entrepreneurial capacity to produce new products and services, including supporting family firms as shown in case studies of attempts to transform tacit knowledge into codified forms towards a knowledge-based economy. In case studies of plastic production, fostering innovation to nurture a knowledge-based economy challenged the government to implement policies related to industry specification, product differentiation, benchmarking, branding management and industry transformation.

Family SMEs have, however, encountered difficulties in adapting to this rapidly changing business environment. On the other hand, with generational change, the young, if adequately trained, can boost the ability of firms to compete in the global marketplace by improving skills, technology and human capital through effective management techniques. Innovative capacity may result in the development of new products, services or technological processes which lead to the emergence of unique product lines, product designs and product brands. These products may enable a family enterprise to produce globally competitive products that vary from those produced by the founding generation.

Generational change in family enterprises can influence tacit knowledge transformation when the next generation implements different strategies for innovation aimed achieving a competitive advantage which includes having an impact on management, marketing and manufacturing techniques, or the 3Ms (Chandler, 1962; 1977). Chandler (1962) has shown conclusively how, by focusing on the 3Ms, a small established enterprise, for example, a family firm, can overcome the first-movers' advantage and capture a place in an oligopoly.

This focus on the 3Ms contributes to the promotion of “organization capabilities” that foster effective functional and strategic competition by deeply influencing and exploiting economies of scale (Chandler, 1962). The development of organizational capabilities helps a firm keep pace with rapid changes within an industry. Organizational capabilities influence and shape management structure during a generational change, converting the enterprise from a hierarchical organization to one that has a flattened organization structure which better encourages the flow of innovative ideas (Davis, 1983; Dyer and Handler, 1994; Upton and Heck, 1997). Generational change would necessitate investing in research and development (R&D), developing new markets and creating a new customer base in order to maximize chances of becoming a modern industrial enterprise (Chandler, 1990; Chandler, 1996).

By definition, a multi-generation family enterprise refers to a group of people in a family firm who are socially conditioned in a similar way at a particular time in history, sharing exposure to a common set of formative events and trends. Fletcher (2000) suggests that historical background and accumulated knowledge as well as experiences influence and shape present relations, situations and structures in family enterprises. In a multi-generation family enterprise, more than one family member is involved in ownership management, bringing about a separation of duties in the organization structure (Astrachan and Shanker, 2003). However, recent studies have shown that as this generation grows older, the way they view the world generally does not change while the new generation is significantly more likely “to enhance the reputation and status of the business in the local community” (Westhead, 1998). First generations in firms, on the other hand, are more likely to prioritize “family objectives over business objectives” (Westhead, 2003).

1.2 Defining the Problem: Innovation Capacity (Tacit to Codified Knowledge), Generational Change and Enterprise Development in Family Firms

Different generations propose different characteristics, managerial styles and goals (Okorafo, 1999). Each generation brings new ideas and improvements developed from their past experiences and events (Ward, 1987; Drozdow, 1998). New generations bring new ideas and are more prepared and trained to develop an enterprise (Fernández and Nieto, 2005; Claver et al., 2009). In family businesses that operate over a few generations, research has shown that the founders would be less likely to transform their tacit knowledge (defined here as personal experience) to codified knowledge (that is, knowledge embedded in the firm but cannot become immediately available in the market) (Polanyi, 1966; Aoki, 2001).

This important topic of knowledge transformation is closely related to the concept of “learning organizations” where man knows more than he can explain (Polanyi, 1966). In the literature on family enterprises, a founder’s personal experience, inherent qualities and competence are persistently noted with much reference to transforming this tacit knowledge into codified knowledge (Aoki, 2001). If this objective is achieved, the codified knowledge will serve as an asset for the firm that subsequent generations can develop to increase its competitive power. However, this task of transforming, commercializing and capitalizing on tacit knowledge is not easy. Codifying knowledge is considered a long term investment within an organization or family enterprise. It depends on how well tacit knowledge

management can be developed within a traditional hierarchical organization to amore horizontal one in family enterprises.

Furthermore, the attitude and behaviour of family enterprises toward this need to convert tacit knowledge to codified knowledge can change when a new generation takes over (Swinth and Vinton, 1993). The form of business management may be influenced by many individuals within the family and is an issue that may have bearing on organizational structure (Lambrecht, 2005). Historian and business analyst Christensen (1997) argues that innovation can lead to major changes in business practices, contributing to a firm's longevity. There is link between firm size and innovation dynamics where large firms are more likely to innovate than small firms. This is because large-scale enterprises are capital-intensive industries involving greater use of technology with greater focus on horizontal and vertical integration and the employment of a professional management team (Chandler et al., 1999; Chandler, 1997).

Large corporations emphasize industry leadership as well as the need to have a well-developed competence to encourage large-scale R&D (Velde, 2001). Although R&D investment is crucial to maintain a corporation's competitive advantage, different organizations exhibit different characteristics or behaviours based on R & D expenditure (Chen and Hsu, 2009), distinguished in terms of governance structure, goals and objectives. (Zahra, 2005; Naldi et al., 2007). These factors might have advantages and disadvantages for family enterprises with regard to R & D investment. However, very little attention has been paid to R&D investment within the family enterprise scenario though some attention has been paid to firm size (Munari et al., 2010). R&D investment requires flexibility,

openness in communication and non-rigidity in decision-making towards technical change to move up the value chain (Craig and Dibrell, 2006).

Another body of literature has noted that SMEs, particularly family-owned enterprises, are more efficient than large firms in some industrial sectors (Little et al., 1987; Cortes et al., 1987; Liedholm and Mead, 1987). These researchers argue that efficient SMEs have better access to new technology, create joint ventures with foreign partners and obtain foreign contacts as buyers as well as suppliers, thus opening up opportunities for growth (Tan and Batra, 1995).

1.3 Family Business: Definition and Profile

A family business is defined on a singly governed, generational basis that pursues an implicit vision present within a group of family members (Chua et al., 1999). A family business is a “total system” derived from a number of sub-systems, including an association with the founding entrepreneur and family-member (Dyer and Handler, 1994). Family business literature commonly contends that family members exert an influence on the business through three overlapping systems: the business system, the ownership system and the family system. The degree to which family and ownership systems overlap with the business system indicates the degree of influence that a family has over the business. Many researchers have studied family-owned businesses using this ‘systems’ perspective, culminating in the development of a number of models (Donckels and Frohlich, 1991; Tagiuri and Davis, 1996; Gersick et al., 1997).

Undeniably, each sub-system has its own unique characteristics as it evolves through its own lifecycle. These unique characteristics involve a high cohesion to reach a common enterprise culture as well as the formulation of a common method for business development. Another unique characteristic is the need to enhance mutual trust between family members to ensure efficient management as well as to improve technology level. Third, regardless of the size of the family enterprise, there is a need to improve operational flexibility and to ensure that there is space for entering and exiting markets. Fourth, technical secrets are stronger due to the higher technical content which is crucial in order to survive intense market competition (Ward, 1997).

Family businesses are an important segment of the global economy, contributing towards more than 75 per cent of the gross domestic product (GDP) in most countries and employing more than 85 per cent of the working population around the world (Poza, 2007). In the United States, family businesses contribute about half of the country's GDP and most of them are SMEs (Heck and Trent, 1999; Astrachan and Shanker, 2003). In the European Union, about 60 to 90 per cent of all companies are family firms and they constitute about 60 per cent of GDP. Among the 250 largest companies on the stock exchange in France, 57 per cent are family enterprises. Among companies listed on the stock exchange in Germany, family enterprises amounts to 51 per cent. In Southeast Asia, family businesses have a significant presence in the region's corporate sectors and have a proven track record of contributing to the GDP of these countries.

In 1999, London Business School and Babson College organized the Global Entrepreneurship Monitor (GEM) programme to measure differences in the level of

entrepreneurial activities between countries and uncovered factors that influenced entrepreneurial intention among family members in enterprises to create new ventures to achieve efficiency. GEM's study in 2002 indicated that informal investments are significant in relation to venture capital. The total amount of capital investment (classic venture capital plus informal financial support) is shown as a percentage of GDP for 2001. Venture capital exceeded informal investment in only one of the GEM nations, Israel. In all other nations, it ranges from 0.3 percent (China) to 39 percent (Canada). Informal investment is a crucial component in the entrepreneurial process. Hence, small investments primarily by family and friends are crucial in funding not only micro-companies but also potentially future superstars. In comparison, formal venture capital is very rare at the seed stage of a new venture. A large proportion of all business are owned and managed by families or a group of relatives. Therefore, it would seem that any global effort to understand the entrepreneurial process would be enhanced if it also considered the impact of family sponsorship.

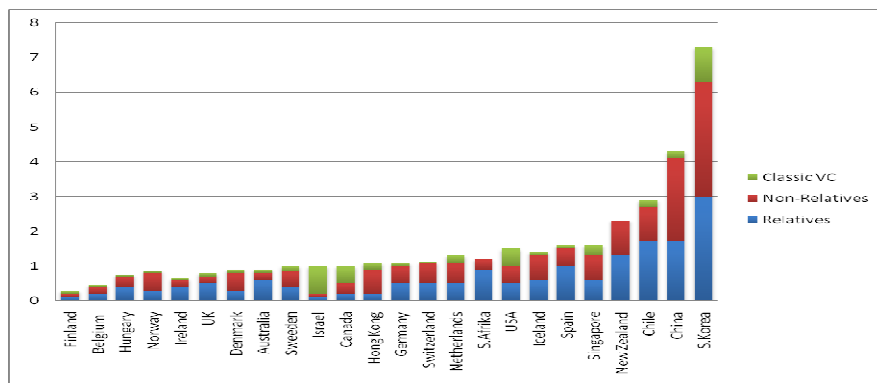


Figure 1.1: Investments from Classic Venture Capital and Funding from Relatives and Non-relatives between Countries.

Source: Global Entrepreneurship Monitoring Studies (2002).

1.4 Family Firms in Malaysia

In Malaysia, nearly 80 percent of Malaysian businesses are family-owned and most of them are SMEs with activities in trading, manufacturing and retailing (Draim, 2001). Family businesses form an essential part of the Malaysian economy and it is estimated that family companies contribute to more than half of Malaysia's GDP (Ngui, 2002). One study claims that the majority of family companies in Malaysia have evolved from traditional family-owned companies. Traditional family companies do not embrace openness in the firm's practice and retain a business culture similar to the founders (Ow-Yong and Cheah, 2000). A World Bank study showed that 67.2 percent of shares quoted on the Bursa Malaysia were owned by family enterprises while 13.4 percent were state owned. Thus, family firms have a dominant presence in the Malaysian corporate sector and most of them were owned by Chinese families (World Bank, 1995). A survey Shamsir Jasani conducted found that nearly 70 percent of family enterprises remained small and medium-scale firms managed by its founder, while 30 percent were run by second or third generations that consist of the founder's heirs (Jasani, 2002).

Shared management with outsiders, outsourcing, the retention of quality staff, research and product development and new markets exploration have emerged as important criteria in a family enterprise following a generational change as these factors determine its capacity to compete in an increasingly competitive marketplace as Malaysia rapidly becomes industrialized (Soderquist et al., 1997; Gomez, 2007). In certain cases, the training of new generations is essential if a family hopes to ensure a firm's expansion and prosperity. Meanwhile, the growing pressure of global competition has compelled Malaysian

companies to concentrate on the links between production and marketing in their organizations so as to effectively develop new products and services. A similar trend can be discerned among companies in industrialized Japan as well as in the United States and in Europe (Drucker, 1946).

Recognizing these issues, the Malaysian government has implemented technological oriented clusters that have managed to create a huge community of components manufacturers, namely Original Equipment Manufacturing (OEM) suppliers consisting of family SMEs with enhanced technology sharing partnership and collaboration opportunities. However, due to their poor capacity to build on learning from these ties, family SMEs have come to be 'locked into' an OEM relationship. This has hindered them from developing their own branding and expanding their distribution channels in the marketplace. Profit margins which are generally lower in OEM sales make it difficult for Malaysian family SMEs to invest in R&D expenditure that may lead to new product development and industrial upgrading.

Research on innovation has widely recognized that collaborations play a prominent role in the commercialization process and transfer of knowledge between industry specification with research output from learning institutions as well as government and private companies (Acs et al., 1994; Hagedoorn and Vonortas, 2000). However, the current level of collaborations between industry-education links in Malaysia are considered poor as evidenced by the little collaborative work or industrial alliances between learning organizations and universities with industries (Rasiah, 2003). Malaysia's industry governance model has produced weak technology development, reflected in R&D

expenditure, poor volume of patents, lack of new products launched in the market and weak industry-university collaborations (Rasiah, 2003).

The implementation of the New Economic Policy (NEP, 1971-1990) has led to an important structural shift among family enterprises, resulting in Sino-Malay alliances though many were seen as 'Ali-Baba' alliances where the firm was owned by the Chinese while the Malay was a silent partner (Searle, 1999; Heng and Sieh, 2000; Wazir, 2000; Gomez, 2003). Subsequent generations in these family enterprises faced different challenges due to changes in government public policy, including the NEP, depending on the sector they were situated in.

There are three types of enterprise structures: 'old wealth', 'new wealth' and 'declining wealth'. 'Old wealth' refers to family enterprises established as conglomerates before the NEP implementation, mostly managed by founders who remained unskilled with little technological capability. These enterprises' early success in the rubber plantation and tin mining sectors allowed them to diversify into manufacturing activities such as the production of food, plastic, rubber and wood-based industries around the 1960s. However, only a few Chinese conglomerates have emerged as major publicly-listed firms in the manufacturing sector while most companies could hardly compete with foreign firms that had more capital, were more technologically oriented and had enhanced managerial skills, thus, remaining small-scale enterprises (Khor 1983).

Old wealth may have entrenched poor management and control pyramids. Old wealth founders entrenched in preserving the value of old capital brings damage to creativity and

innovativeness'. One such example is Federal Bakery, established in 1906 and managed by Mashood Abdul Wahab, one out of eight brothers and sisters. The founders of Federal Bakery had formed cooperative ties with the British to supply bakeries. The British partner supplied them with raw materials in order to make bread for bakeries targeted at British government servants. However, a lack of suitable candidates to take over the business meant that this 100 year old family-owned bakery enterprise has remained small-scale with old technology still being used to produce goods for the domestic market (Abu Hatim, 2010).

'New wealth' emerged in the 1990s after enterprises successfully developed in compliance with the NEP and are presently managed by a highly educated second generation who have little problems creating cooperative ties with government agencies and foreign investors. One example is Sweetco, an enterprise that formed a partnership with Korean investors and the Perlis State Economic Planning Corporation¹ to establish the first PVC flooring factory in Malaysia. 'New wealth' enterprises played a crucial role in the Malaysian government's endeavor to rapidly industrialize the country with an emphasis from "Japan Incorporation (Inc)" to "Malaysia Incorporation (Inc)" emphasized in private-public partnership (Gomez, 1994). Public-private cooperative ties can be clearly seen in Malaysia, most notably in the motor vehicle assembly and distribution sector which involves many family firms such as Oriental Holdings² and the Lion Group³. A new generation within family firms has also

¹ Perlis is one of the thirteen states in the Malaysian federation.

² Loh Boon Siew of Oriental Holdings Berhad is best known for his Honda motor vehicles franchise though diversified with involvement in construction, property development, cement manufacturing, hotels and plantations. There are a number of Bumiputeras listed as shareholders of private holding companies controlled by Loh, most of them Penang-based businessman, particularly S.M. Aidid. The most prominent Bumiputera in Loh's group of companies who figured as a director of Oriental Holdings and Kah Motor was the late Hamzah Sendut, the first vice-chancellor of USM. See Gomez 1999 on an in-depth discussion on major Chinese businesses in Malaysia.

³ William Cheng Heng Jem of Lion Corporation Berhad is best known for his family's iron foundry company, Teck Ching Foundry Co, founded in Singapore in 1939 and later was changed to Lion Corporation Berhad. His main public-listed firms include Lion Corporation

established cooperative ties with the government. YTL Corporation is one of Malaysia's biggest conglomerates with a track record of 55 percent growth since it obtained public-listing in 1986. Besides its involvement in the construction sector where it made its name, this enterprise, led by the Yeoh family, is also involved in power generation, property development, cement production and high-end technology. Another famous family business is IOI. Like YTL, this family firm is now led by the second generation Lee family.

'Declining wealth' refers to enterprises that lacked entrepreneurial drive as subsequent generations took over and failed to successfully adapt to the NEP, resulting in either the decline or stagnation (Heng and Sieh, 2000). These enterprises may have also declined because of slow growth arising from inefficiency caused by entrenched corporate control, high barriers against external investment, and perhaps low investment in innovation. A great example is Yeo Hiap Seng (YHS) where third generation family members were urged to relinquish their positions as directors because of the company's poor performance (Gomez, 2009). In the late 1990s, following the 1997 Asian currency crisis, the Malaysian government expressed the need to integrate Malaysian family enterprises into global supply chains created by Multinational Corporations (MNCs). To aid this process, the government introduced the Global Supplier Program (GSP) and Industrial Linkage Program (ILP) as attempts to adopt organizational capabilities that would successfully enhance diversification of the economy (Dosi et al., 1992).

Bhd, Angkasa Marketing Bhd, Amalgamated Containers Bhd, Chocolate Products Bhd, Lion Land Berhad and Posim Berhad. Cheng is not closely associated with any particular UMNO leader and has only obtained one major economic privilege from the government which is a license and pioneering status to manufacture steel. However, Cheng has some influential Bumiputeras directors such as Musa Hitam and Zain Hashim. See Gomez 1999.

1.5 Small and Medium Enterprises (SMEs) in Malaysia

SMEs play an important role in fostering knowledge intensive economic conditions in the Malaysian economy as stated in the Economic Transformation Program. SME can be defined according to its annual sales turnover, assets and number of full time employees as standardized by the National SME Development Council (NSDC) during 2005. Its definition and categorization may be different in terms of the country and government policy. Basically, SMEs are categorized as follows, shown in Tables 1.1 and 1.2.

Table 1.1: Micro, small and medium enterprise definitions

Size/Sector	Agro-based Industries	Manufacturing-related production	Professional services
Micro	Less than RM200,000	Less than RM250,000	Less than RM200,000
Small	Between RM200,000 & less than RM1 million	Between RM250,000 & less than RM10 million	Between RM200,000 & less than RM1 million
Medium	Between RM1 million & RM5 million	Between RM10 million & RM25 million	Between RM1 million & RM5 million

Source: National SME Development Council (NSDC) (2005)

Table 1.2: SME definition based on number of full-time employees

Size/Sector	Agro-based Industries	Manufacturing-related production	Professional services
Micro	Less than 5 employees	Less than 5 employees	Less than 5 employees
Small	Between 5 & 19 employees	Between 5 & 50 employees	Between 5 & 19 employees
Medium	Between 20 & 50 employees	Between 51 & 150 employees	Between 20 & 50 employees

Source: National SME Development Council (NSDC) (2005)

In the *Ninth Malaysia Plan 2006-2010*, SMEs value rose to 7.8 percent, which was more rapid than the overall change in economic growth and development. Figure 1.2 indicates that total number of Malaysian SMEs in 201645 at 645,136 in 2012 mostly come from the service sector at 90 percent in comparison with manufacturing 8.9 percent and agriculture 1.1 percent. Most Malaysian SMEs have evolved from both manufacturing and agricultural sectors into the service sector due to the changes in global trends. Indeed, Figure 1.3 further illustrates the increase of its GDP contribution from 29.4 percent in 2005 to 38.2 percent in 2012. However, the contribution of Malaysian SMEs to the country's GDP remains low as shown in Figure 1.4 while there is scope to enhance productivity levels among SMEs by addressing structural issues.

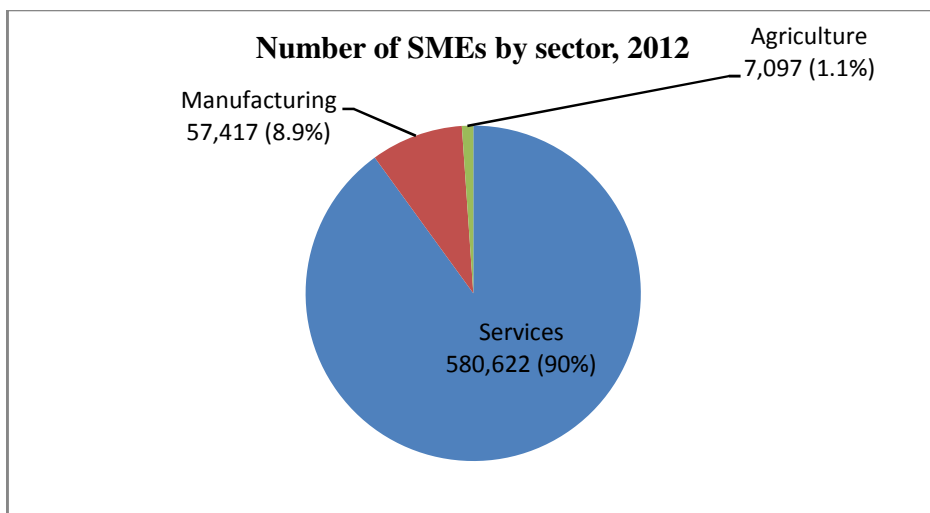


Figure 1.2: SME contribution to GDP in 2012
Source: Department of Statistic Malaysia, Economic Planning Unit

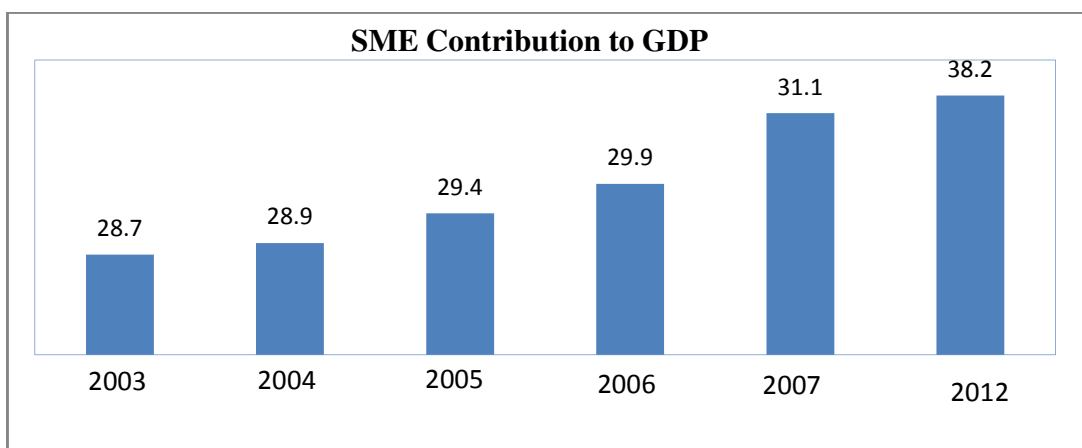


Figure 1.3: Increase in SME contribution to GDP, 2003-2012

Source: Department of Statistic Malaysia, Economic Planning Unit

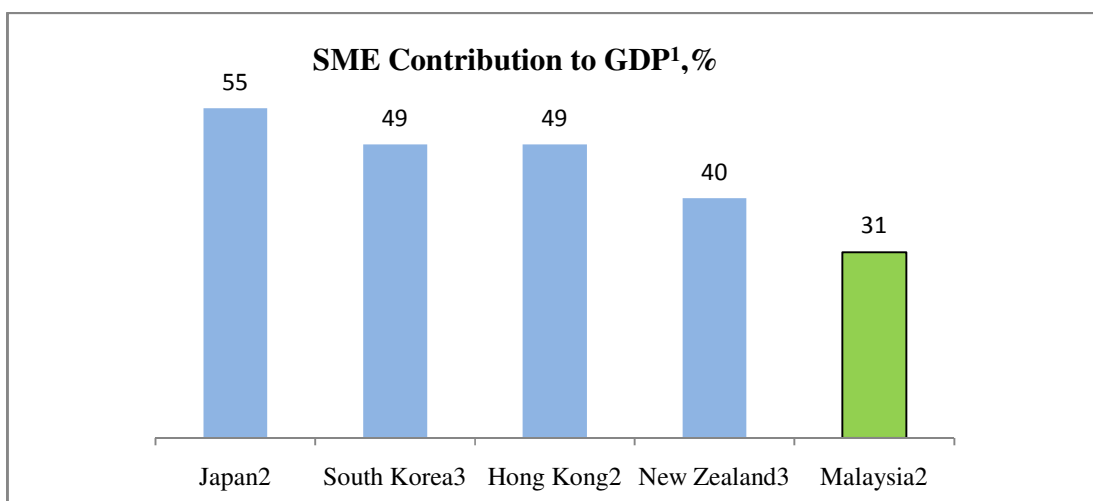


Figure 1.4: SME Contribution to GDP between Japan, South Korea, Hong Kong, New Zealand and Malaysia.

Notes:

1. Calculated as value added to economy, when contribution to GDP not available.
2. 2008
3. 2006

Sources: 'Strategy Package for Higher Growth and Structural Change, 2009'; Economic Planning Unit; MOF Policy Research Institute, Japan

Malaysian SMEs contribution to GDP is low compared to other countries as indicated in Figure 1.4 particularly in terms of product commercialization and R&D between the Malaysian government and SMEs. Very limited effort has been taken by the government to spur the establishment of new businesses and to promote entrepreneurial intention in comparison with Japan and Hong Kong. For example, Kyoto University in Japan has a specific strategy to link regional innovation with business incubators and collaborations. Recently, the university partnered with China's Tsinghua University in relation to the MEXT funded Katsura Innovation Park in Kyoto⁴. Most of the newly built institution is considered a creative next-generation hub and R&D center, thus, encouraging new business ventures.

Innovation policies in support of SMEs and institutional mechanisms that promote openness in innovation generally exist in the form of industry-university partnerships, such as in Hong Kong. In 2009 and 2010, Hong Kong ranked third in the Global Innovation Index⁵ out of 132 economies surveyed. In terms of industry-university partnerships, Hong Kong ranked twenty-seven. Indeed, industry-university partnerships provide more opportunities for product commercialisation by exploring niche markets, encouraging SMEs to work with universities and nurture a culture of innovation.

In comparison with Hong Kong, Malaysia has more natural resources that have brought more opportunities in export trading and economic diversification since its independence in 1957. Rubber accounted for nearly 70 per cent of the total output value of agro-based

⁴The Katsura Innovation Park funded by the Ministry of Education, Culture, Sports, Science and Technology (MEXT).

⁵The Global Innovation Index (GII) report showed Malaysia was ranked 28th in the overall ranking during the period compared with 25th position in 2008-2009. The lack of human capital in terms of creativity and innovation is the main reason why GII ranking dropped in 2009-2010.

industries. During the 1963 to 1967 periods, its share declined to about 65 per cent of total agro-based output (Lim, 1973). There are two types of diversification related to industries in Malaysia. The first type focused on agro-based industries, from rubber plantations to palm oil production and other crops while the second targeted manufacturing-related production, moving from primary into secondary industries. By 1990, the economy was more industrialized with the promotion of knowledge-intensive industries such as the electronic sector and ICT services which attracted direct foreign investment (DFI) to achieve a good GDP in the national economy.

To attract DFI in Malaysia, many family SMEs in various industries evolved from domestic cottage business enterprises into export-oriented manufacturing industries in the early 1970s. This is evidenced by the introduction of the promotion of the Investment Incentives Act of 1968, the 1971 Free Trade Zone Act and the establishment of the Malaysian Industrial Development Authority (MIDA) in the mid-1960s that aimed to promote industrialization as it provides funding for SMEs. During the colonial and immediate post-colonial periods, foreign enterprises, especially those owned by the British, controlled the economy. However, Puthucherry (1960) noted that the one sector where the Chinese had a dominant presence was in manufacturing with mostly family owned businesses ranging from traditional food production to saw milling. Most of the small scale enterprises were clearly seen in these sectors (Tan, 1982).

Among Malaysia's top 100 publicly-listed firms by the turn of the century, barely 20 were involved in manufacturing. A majority of these 20 firms were foreign-owned, an indication that manufacturing companies of the colonial period had not managed to grow in size

(Gomez, 2007). There were a few exceptions. Three of these 20-odd firms belong to the Hong Leong group; the Malaysian Pacific Industries (MPI) involved in the electronics sector, OYL Industries which is a producer of air-conditioning products, and Hong Leong Industries, a tiles manufacturer. Most domestic manufacturing firms in the top 100 in 2001 have been owned by Chinese since Independence in 1957. A comparison of the top 100 companies in 1970 and 2001 demonstrates that only one enterprise managed to retain its position as a leading manufacturer which is the foreign-owned Rothmans (Lim, 1981; Gomez 2007). This suggests that Malaysian companies were not sufficiently investing in R&D with little development of pioneer tacit knowledge in the manufacturing sector.

1.6 Plastic Manufacturing Sector in Malaysia

The plastics industry is one of the most dynamic sectors within the Malaysian manufacturing sector. During the 1960s, Malaysian plastics companies numbered less than 100, primarily small-scale operators only catering to the domestic market (Othman Khairuddin and Yeoh, 1986). The first census of the plastics manufacturing industry was conducted in 1959. The majority of the plastic products produced at that time were household and consumer items, films and bags. Subsequently, there was a rapid development in the number of plastic manufacturing enterprises, particularly family-owned firms, numbering 400 in the late 1970s due to high growth rates registered by the economy. At that time, the rapid establishment of operations by MNCs in Malaysia, mainly from Japan and the U.S., led to an increased demand for high quality precision parts, a factor that tightened ties between these foreign companies and SMEs in the electrical and electronic industries.

During the 1990s, outsourcing of manufacturing activities and the development of Malaysia as a regional products and distribution center for high-end electronics products contributed to a structural transformation in the electronics industry. This structural change in the electronics industry has, since 1999, resulted in industrial electronics overtaking electronics components. New services, including the design of integrated circuits, prototyping, testing and failure analysis have also grown and expanded. Large procurement contracts in plastics manufacturing awarded by MNCs have included a condition that companies must have proven technology and products.

Prior to the development of the petrochemical industry in Malaysia, a majority of plastic resin was imported to meet increasing market demand. As a result of the dramatic growth in the plastics manufacturing industry during the 1980s, the Malaysian government took a big step towards developing its plastic resins sector in the 1990s by implementing positive and flexible policies to draw foreign investments to the petrochemical industry. This industry has since developed tremendously due to various factors including the availability of feedstock, good infrastructure and supporting industries, cost competitiveness and a strategic location within ASEAN. Through various attractive investment policies, incentives and infrastructure, Malaysia managed to draw investment from MNCs in Japan, the U.S., and Germany. According to a market report of the Malaysian Plastics Manufacturers Association (MPMA), export of plastic products amounted to RM8.8 billion during the January-November 2008 period, which is an increase of 14.4 percent in 2007. The main products exported were containers of plastics (40 percent), plates, films, sheets, foils and strips (34 percent) and other articles of plastics (16 percent). Major destinations were Singapore which accounted for RM1.8 billion, Japan (RM1.4 billion), Britain

(RM728 million) and the U.S. (RM562 million). In addition, Malaysian plastics manufacturers are diversifying their export base to new markets such as Latin America, West Asia and Oceania.

However, the manufacturing sector is losing ground as a major engine of growth for the Malaysian economy, facing challenges in moving away from low value-added labour-intensive manufacturing to high value-added skill and technology-intensive manufacturing. According to the 2008 MIDA report, the promotion of the electronics industry began in 1970, with the first movers employing less than 600 workers. By 2004, total employment had increased to about 369,000, or about 36 percent of total employment in manufacturing. In 2011, although there were about 1,550 plastics products manufacturers in Malaysia, they recorded a decrease of 3,100 employees as compared with 2007. This decline may be attributed to continuous efforts by local manufacturers to use automation technology and high speed machines.

As Figure 1.5 indicates, the packaging sector dominated as the largest sub-sector for the plastics industry due to the booming semi-conductor industry (57 percent), followed by electric and electronic (E&E) sector and automotive components (34 percent), consumer and industrial products (7 percent) and others (2 percent) in 2012. However, many plastics companies in Malaysia prefer to operate as re-sellers of products for international companies rather than risk losing their bid in a tender. Malaysian plastics manufacturers grew out of the MNCs ecosystem which had initially created a supportive environment for building a strong sub-contracting network of Original Equipment Manufacturing (OEM) suppliers. Unfortunately, many SMEs remained OEM suppliers and have not moved

towards Original Design Manufacturing (ODM) or Original Brand Manufacturing (OBM) as they faced entry barriers which required them to scale-up their operations, particularly due to their failure to invest in R&D and the low qualifications of their workforce and management. More recently, the emergence of lower-cost economies such as China and Vietnam in the plastics industry has prompted Malaysian plastics manufacturers to review their style of business by moving towards competitive, value-added and high-quality manufacturing.

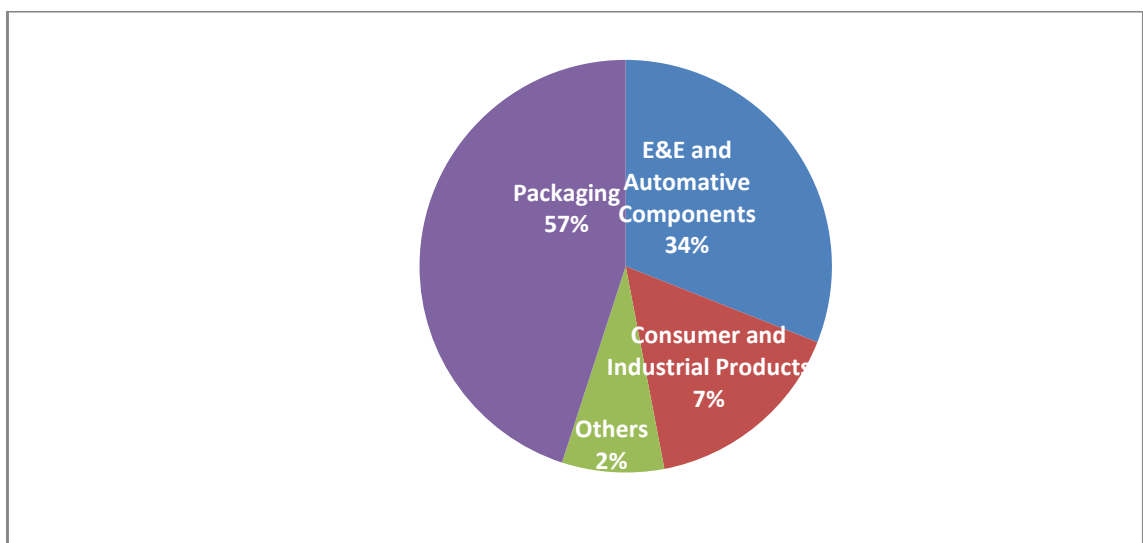


Figure 1.5: Sub-Sectors of Plastic Products in Malaysia, 2012

Source: MIDA: Malaysia 2012/ Performance of the Manufacturing and Services Sectors

1.7 Food Manufacturing Sector in Malaysia

In food manufacturing, a growing number of family-owned enterprises have lasted until the fourth generation. With household income rising, food consumption has shifted from starchy staples to agricultural-based products such as rice, cereal, vegetables and fruits (Mitchell et al. 1997; Lee and Kennedy 2007). There is also a growing trend of easily prepared food products that are “easy-to-cook”, ready-to-consume and “*halal* food”. A

growing demand in the international market particularly for *halal*⁶ food has created a great potential to expand this sub-sector globally (SMIDEC, 2007).

In Malaysia, production in the agricultural sector is dominated by rubber, palm oil and timber (Wong, 2007). Agrifood, food and drink processing industries are Malaysia's fourth largest manufacturing industry sector after electronic production, petroleum refinery and computer hardware. Processed foods are exported to more than 80 countries with an annual export value of more than RM6 billion (approximately US\$1.7 billion), amounting for two-thirds of the total Malaysian food export. The major food manufacturing sector comes from Malaysia's edible oil processing sector which amounts to 56 per cent, followed by cocoa (18 per cent), dairy processing (4 per cent), fish, seafood poultry and meat processing (3 per cent) and snack foods and noodles (2 per cent) in 2012 (see Figure 1.6).

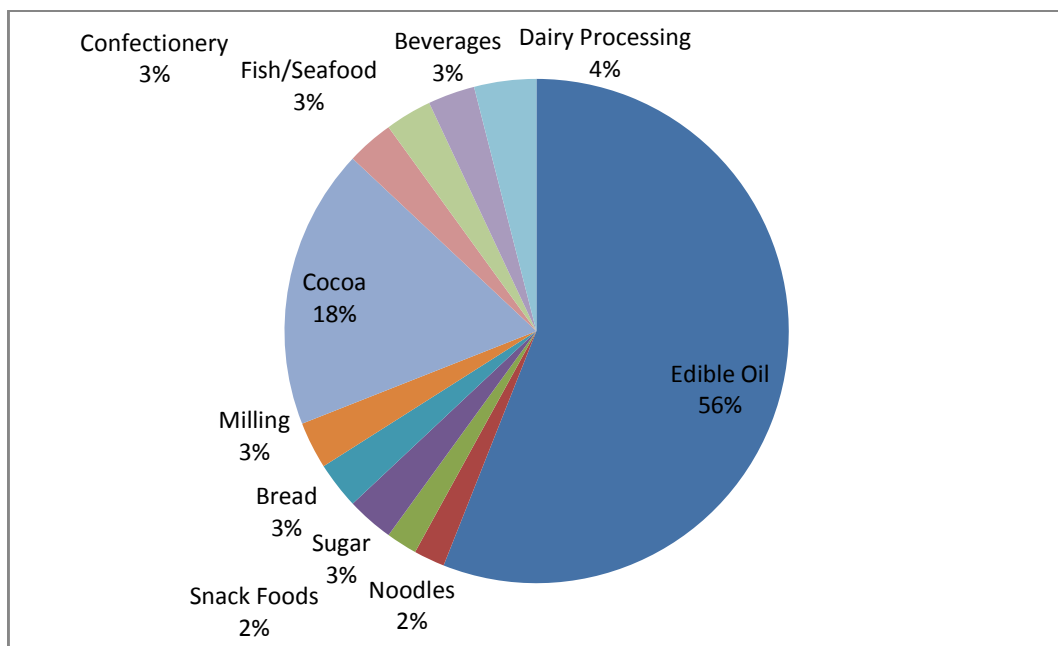


Figure 1.6: Sub-sectors of processed food products in Malaysia, 2012

*: Rice, wheat and other cereal milling.

Source: Department of Statistics Malaysia, 2012.

⁶*Halal* originates from an Arabic phrase that means allowed or permitted by Islamic law for example in food industry.

There are government controls on domestic prices for specific food products, including wheat, flour and sugar, as well as regulations on food imports. In contrast, production increases in the livestock sector has been relatively strong with an average annual productivity growth of around 3.7 percent since the 1960s. The improvement in breed genetics has been a major contributor to productivity growth in the livestock sector, in which poultry is the dominant industry (Chang, 2005).

Malaysia's food industry is as diverse as its multi-racial uniqueness of heritage and culture, with a wide range of produced food with Asian tastes. The food production is predominantly Malaysian-owned. In 1982, an approximate 127,123 venture firms were established in food manufacturing and other chosen business activities in Malaysia, of which 95 per cent were micro industries. This figure increased rapidly to 300,345 in 1995. The food processing sub-sector experienced higher growth after the 1980s. It is estimated that present global retail sales in food products are worth around US\$3.5 trillion, and are expected to grow at an annual rate of 4.8 percent to US\$6.4 trillion by 2020. In 2010, Malaysia's food imports amounted to RM30.3 billion while exports amounted to RM18.2 billion with food products reaching more than 210 countries. The main products exported were cocoa totalling RM3.8 billion, processed fish and seafood made products RM2.6 billion, margarine and shortening RM1 billion and pet food RM1.1 billion.

Realizing this situation, Malaysia's government recognized that food production can replace a large portion of imported food products available in the domestic market as

derived from *Second Industrial Master Plan* (IMP2)⁷. This is to provide a link between upstream food production and manufacturing which would further enhance the development of food sub-sectors. Rural based food production in Malaysia is generally conservative, using traditional food technology. Production, development and distribution channels are usually limited. This slows down returns on investment and delays industry development. As a result, the *Ninth Malaysia Plan 2006–2010* promoted large-scale commercial farming, value added production capabilities and adoption of biotechnology in food technology to emphasize value added production in food manufacturing. This reflects the growing importance of innovation and technological development in food production towards gaining a competitive advantage.

1.8 Research Questions and Objectives

The research questions are:-

- (1) How have Malaysian family SMEs that have undergone first generation to generational shifts retained a prominent presence in their respective industries?
- (2) Was the conversion of tacit knowledge to a codified form, through R&D, a crucial factor that sustained Malaysian family SMEs of large, medium and small-scales?
- (3) Was the deployment of the 3Ms (Management, Marketing and Manufacturing) a core factor for expansion of suchfirms?

⁷The *Second Industrial Master Plan, 1996-2005* (IMP2) has guided industrial policy to transform the manufacturing sector into one that is resilient, broad-based and internationally competitive. The manufacturing 'Plus-plus' strategy is moving along the value chain from assembly-based and low value-added activities towards higher value-added activities.

Following this line of reasoning, the research objectives are as follows:

1. Determine how Malaysian family SMEs achieved a competitive advantage in their respective industries, aligned with changes in the markets.
2. Find reasons why there is little emphasis on the conversion of tacit knowledge into R & D in certain Malaysian family SMEs based on their respective industries.
3. Identify other factors beside 3Ms that have enabled Malaysian family SMEs to expand family firms towards enterprise development, for example, how these family SMEs emerge as producers of a particular product brand or value added production following a generational change.

1.9 Significance of the Study

This study evaluates the impact of generational change, i.e. how a new generation of owners of a family business, enhance the innovative capacity of their firms by implementing different strategies, particularly through R&D or conversion of tacit to codified knowledge. This study will involve case studies, including a comparative perspective, of family firms that have shown a great capacity to innovate and create product brands or added value which have been sustained by one or more generations. The study will provide insights on how family firms periodically employ external professional and managerial personnel to promote and improve innovativeness. This study, through the employment of Chandler's concept of the 3Ms, will draw attention on how most dynamic family SMEs compete in the international marketplace or venture into new kinds of businesses in their respective industries.

This study will assess second generation, third generation and some fourth generation family firms in terms of their business activities and enterprise development styles. Most studies argue that enterprise development during second or third generations do not contribute much to family firms, primarily attributing this to succession problems (Graves and Thomas, 2008). The next generation is expected to be more qualified and their background (education and international experience) can influence the strategies used to contribute to enterprise development. However, although some studies argue that leadership transitions have led to tacit knowledge management that has benefited family businesses, there has been an inadequate amount of case studies to substantiate this point.

This study will indicate how the next generation adopts the 3Ms to explore innovative capacities that lead to longevity by bringing in new ideas in order to compete with changes in domestic and international market trends. This emanates from their capacity to identify the uniqueness of family heritage and authenticity following generational shifts. This study will indicate how the next generations perform differently in comparison to the founding generation, particularly in professional management, R&D intensity and enhancement 3Ms to stay ahead of the competition.

This study will contribute in many ways. Firstly, it enhances family business literature by focusing on the features of family business innovative capacities in upgrading technology to create new branded products that increase competitive powers based on. This will be done by paying specific attention to the conversion of tacit knowledge to codified forms. This study will also trace how organizational and administrative characteristics of a firm are crucial if the enterprise is to capitalize on tacit knowledge and commercialize it through

product development. This process is further aided by effectively utilizing tacit knowledge and by introducing effective management, marketing techniques and quality control in plastic and food manufacturing processes, altogether a research method that has not been employed in Malaysia.

1.10 Research Scope

Literature on family firms states that the scope of any sample base is driven by two principles. Firstly, the sample should be purposively selected. Secondly, the sampling strategy may change as the researcher increases his understanding of what is being researched. The sampling design should not be set in stone. It has to be responsive to the needs of the research. This implies the need to continually ask the question: “What data sources will best enable me to answer the research questions being asked?” (Morse and Richards, 2002). Case selection has also been used to control the influence of extraneous variables. This can help define the boundaries for generalization based on research findings (Eisenhardt, 1989).

Consistent with the family enterprise definition outlined earlier, the enterprises selected have to be majorly family-owned with at least one family owner on the management board. The selection process resulted in a range of generational firms being selected with second and generation owners and beyond, which has assisted in examining the influence of innovative capacity on a family’s development of an enterprise. The case firms selected had to be presently engaged in enterprise development following a generational change. Family business case studies from plastics to food industries were undertaken to provide an

opportunity to critically confirms, challenge or extend existing knowledge about forms of enterprise development, specifically following a generational change.

Because this study uses a qualitative research design, time constraints were a factor inchoosing the number of firms for assessment. Several sampling strategies were used to obtain a total of 11 firms from plastic production and 17 firms from food production. To ensure that the case studies were operating within the SME sector, they had to be registered with the Companies Commission of Malaysia (SSM)⁸, be family-owned and managed, represented in management by different generations and must have shown manufacturing innovation intensity following a generational change. 11 case studies in the plastic products manufacturing sector were not taken as in-depth studies because the concern was to primarily indicate the difficulties involved in developing tacit knowledge. Since the 17 family SMEs case studies in food manufacturing showed greater approach in advancing tacit knowledge, they were taken as in-depth studies to explore how the next generation retains tacit knowledge.

1.11 Thesis Organization

This thesis is organized as follows. The first chapter provides introductory information about this study and highlights the purpose and significance of this study, followed by its objectives and scope.

⁸The main activity of SSM served as an agency to incorporate companies and register businesses as well as to provide details or business information to the public.

The second chapter reviews and analyses the literature on family business, with specific attention given to the themes of generational change and innovation capacity. This chapter sheds light on the analysis of family business and innovation capacities from four aspects which are converting tacit to codified knowledge, professional management, organizational and administrative coordination and forms of enterprise development. A Chandlerian framework will give more attention to the enterprise development of family SMEs in Malaysia.

Part I of Chapter Three covers this study's conceptual model development, approach and research hypotheses. Part II explains the research methodology used in the study as well as the research hypotheses, including appropriate methods in sampling, collecting data and analysing data.

Chapter Four provides detailed information about the history of manufacturing firms and tacit knowledge transformation in the plastics sector. This is to provide insights on how family firms in plastic sectors produce different types of plastic products, some extremely sophisticated while others are less so. The case studies here provide insights into why family firms in this sector have encountered enormous problems in retaining tacit knowledge.

Chapter Five covers in-depth case studies about the food manufacturing sector. The findings of these case studies are compared and contrasted in table of historical perspectives, the 3Ms and innovative capacities among large, medium and small family SMEs in the manufacturing sector.

Chapter Six compares food manufacturing with the plastics industry in terms of their retention of tacit knowledge and sustainability from one generation to another. The sixth chapter provides an overview of the study's findings. This thesis concludes by summarizing findings and presenting its implications as well as recommendations for future research.

CHAPTER 2

Literature Review

2.1 Definition of Family Business

Literature on family business began to appear in the mid 1950s and has since grown with over 2000 academic publications at present (Susan and George, 2008). The largest portion of this academic literature has focused on the issue of succession though other topics of business strategies and the role of family involvement are just as important. Other core topics include exit strategies, financial management and case studies (see Figure 2.1).

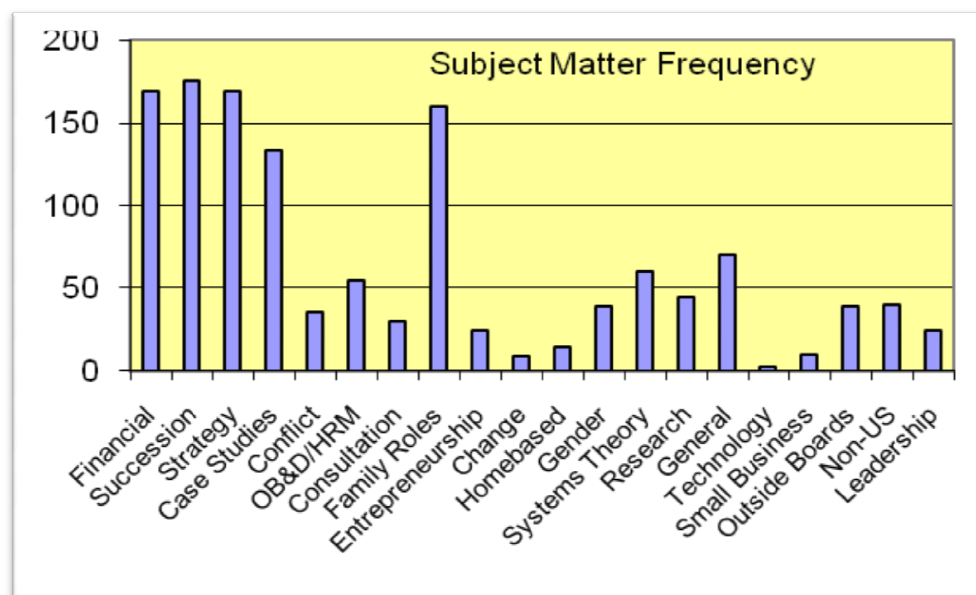


Figure 2.1: The Literature of Family Business According to Subject Matter

*Source: Susan and George (2008)

According to Koiranen (2002), the elements of a family business include (a) ownership management and (b) family involvement of at least two generations in the enterprise.

Koiranen (2002) later pointed out that ownership control should be assigned to the family members without involving a third party. Chua et al. (1999) defined a family business as family governance with the aim of achieving the enterprise's goal in a manner articulated by a dominant coalition of families across generations towards sustainability. In Chua's study, integrity and commitment to business are two of the most important attributes for family businesses in the west. Interpersonal skills, past performance and experience are important factors that allow the family enterprise to continue growing. Astrachan et al. (2003) identified three thematic focuses to grow in the family enterprise are past experience, controlled power and organization culture. Since leaders in family enterprises prefer to retain family control during their tenure (Sharma, 2004), it is important to determine how the impact of generational change relates to the organization outcome.

2.2 Generational Change and Evolving Family Business Model in Family Business

The issue of generational change has been widely studied in the field of family business over the past three decades (Brockhaus, 2004; Handler, 1994; Le Breton-Miller et al., 2004; Sharma, 2004). Key works examining family enterprise development have broadly regarded succession as a process, often starting from the building of the business in the first generation to at least the passing on of the business to a second generation (Dyer, 1986; Handler, 1989; Keating and Little, 1997; Breton-Miller et al., 2004; Wong, 1985). Previous studies have defined the complexity of ownership among SMEs (Guerreiro, 1996). Change increases the complexity of a firm thus when it comes to generational change or succession, restructuring in family roles with duties and responsibilities is required (Gersick et al., 1997; Lansberg, 1999). Dyer's (1986) model offered a four-stage life cycle of the family

enterprise while other models of enterprise development include those proposed by Wong, Handler, Gersick and Breton-Miller. These models determine how a family business evolves under different generations, tracing transitions from the first succession stage.

Family businesses can evolve across generations in terms of enterprise development, ownership management, strategies implementation and governance structure. Table 2.2 shows how a family enterprise can develop across several generations into diversified businesses, some owned by entities of “cousins” consortium. As the family business evolves to become a business dynasty, it acquires the capacity to compete in domestic and international markets (Gersick et al., 1997). Three evolution stages are identified and labeled as follows: entrepreneur during first generation, family partnership at second generation and business dynasty in third generation (Gersick et al., 1997; Lansberg 1999).

Table 2.1: Stages of Family Business Evolution across Generations

Generation	First Generation : Entrepreneur	Second Generation : Family Partnership	Third Generation : Business Dynasty
Business Form	Entrepreneurship	Maturing business	Holding company or family subsidiaries, with diversified businesses
Mode of Control	Founder/owner/manager	Sibling team	Family branches
Strategy	Personal vision	Renew business	Profit sustainability, generate new wealth
Governance structure	Ad hoc, implicit	Informal board, implicit policies	Outsiders governance, formal policies

Source: Gersick et al., 1997; Lansberg, 1999

Table 2.1 demonstrates the evolution of family firms from a simple to a complex business during first, second and third generations. In order to achieve growth and development, risks might affect some of business assets while being difficult to manage as well as the need to provide other plans for investment. These issues become more complex with

diversified assets when a family business comes under the control of the third generation. First generation firms often have a “paternalistic” management culture and style with a personal vision and usually involve a first-mover entrepreneur to start the business. The governance structure is mostly ad hoc and implicitly and primarily led by a family member. The mature family business is clearly seen during the second generation, usually when sibling teams renew the business, providing better services and value-added products. The governance structure tends to have an informal board with implicit policies as the family business starts to increase its organization capabilities by promoting the 3Ms, namely management, marketing and manufacturing.

During the third generation when a family business begins to function as a holding company, more family branches occur and the strategy taken tends to be one that helps sustain profitability or generate new wealth due to rapid changes in internal and external environments. The governance structure tends to be one that has board members who are outsiders with the implementation of formal policies to commercialize tacit knowledge into a form that can last several generations. One key reason why family firms have survived the test of time is that family members are technically highly proficient in what they manufacture. Competence, cultural fit and previous experience are crucial while autonomy given during a generational change influences a family firm’s capacity to hire experienced managers, outsource, fund R&D and obtain adequate resources to adapt to a “professional” style of management (Dyer, 1988) in order to create new products and identify more markets.

In Wong's model, the Chinese family business may be self-sustaining and develop when the second generation takes over by ensuring that control is once again centralized and held by an offspring of the family. This process is repeated in the third generation and so on (Wong, 1985). A famous case that follows this tradition is that of Li & Fung, the only Chinese-owned export company during a time when foreign companies controlled Chinese trade. Founded in 1906 in Hong Kong, Li & Fung grew from a small regional business to an international corporation, stressing the need for reinvention to achieve enduring success across generations. Li & Fung had long learnt the need to foresee change and adapt to it. Although the company was influenced by the family's traditional Chinese thinking, the family retained a big stake in the enterprise where management and ownership were well aligned.

Previous studies argue that accumulated experience, historical background and knowledge adaption from the external environment are major determinants of growth for family SMEs (Storey, 1994). Wong's model determined that most family enterprises follow a system or society controlled by man, i.e. the owner and manager usually being a father in the family enterprise. Usually, his qualifications are limited to technical knowledge based on his previous job experience so managerial, marketing and lack of productive manufacturing skills limit the capability of a family enterprise to upgrade. When family SMEs introduce incremental innovation in operation and product development, they also enhance managerial capabilities and organizational development. However, family SMEs face difficulties upgrading the firm's alignment with international standards and qualities (Zahra et al., 2006).

Handler's model involved a four-phase succession process of mutual role adjustment between the founder and the successor. In the first phase, the founder is the sole operator of the business while the successor has either no role in the business or may be a young helper. As the business entity enters into the second phase, the founder takes on the role of a monarch over the family business while the successor acts as either a helper or manager within the enterprise. As the family ages, the founder becomes the overseer or delegator in the third phase while the successor moves from functioning as a manager to become the leader and chief decision-maker. Finally, the founder acts as a consultant in the last phase of the succession process (Handler, 1990). A famous case is Suzuki Motor Corporation where Osamu Suzuki brought in his eldest son, Toshihiro Suzuki, as a young helper to oversee his sales abroad and implement the car maker's strategy. In May 2010, Osamu stepped aside as president and chose a non-family member, Masao Toda, to replace him, her aided as evidence of Suzuki's desire to shift management to the younger generation (Yamaguchi Yuzo, 2003).

Gersick et al. (1999) introduced the Transition Period Model (see Figure 2.3) that deals with what happens as a business moves across the first three generations: Controlling Owner State (1st generation), Sibling Partnership (2nd generation) and Cousin Consortium (3rd generation). In a multi-generation study, Gersick discussed the formation of second generation sibling-partnerships to facilitate decision-making. At first, siblings either consider duty segregation by assigning management responsibility over certain areas or set up a top management to discuss major issues (Gersick et al., 1997). As a result, top management decisions play an important role to avoid knowledge gap in top down

management to achieve organization outcomes (Chrisman et al., 2005). However, in reality, interaction between the family, owners, management and business are much more complex, involving knowledge transfer from low-end to high-end industries or from a labour-intensive industry to a technology-intensive industry. A key advantage in researching family-owned businesses from an integrated systems perspective is that it facilitates an understanding of the context in which family firms stress the importance of business survival rather than product enhancement (Craig and Moores, 2006).

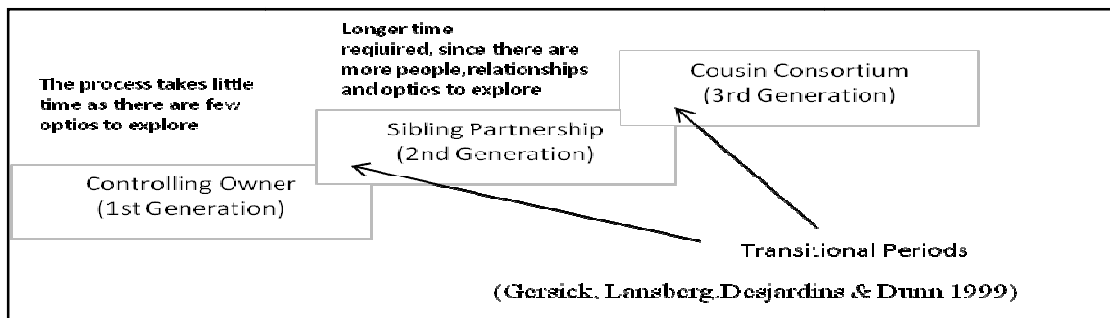


Figure 2.2: Gersick's Transition Periods Model

The model highlights that with greater family involvement, the transition becomes more complex as the next generation joins in. One such prominent case of a firm in the third generation is Cemex, the world's largest construction supplier and third largest cement manufacturer established in Mexico in 1996. Cemex's management has been controlled by the Zambrano family and its chairman, Lorenzo H. Zambrano. He has been on the board since 1979 and has run the company since 1995. His first cousins, Lorenzo Milmo Zambrano and Rogelio Zambrano Lozano, are in charge of the financial aspects of the business. The ownership structure with a low proportion of shares held by Cemex allows

the family to retain the power of autonomy through a skillful use of other shares with limited enforcement of voting rights from other shares (Hoshino, 2003)

Le Breton-Miller's model argues that strategic management of the succession process needs to focus on four contexts: the family business, family, social, and industry contexts (Breton-Miller et al., 2004). In Breton-Miller's study, variables were grouped and improved on from Sharma's studies about generational change. Incumbent motivation and successor motivation were variables such as the incumbents' need to overcome the anxiety associated with letting go of the business and factors that lead to a more satisfying succession experience in knowledge transformation for the successor were core concerns (Breton-Miller et al., 2004). This is because strategy formulation and implementation within family firms are different because of the influence of the family head (Ward, 1987). However, research in this area has been limited (Ogbonna and Harris, 2000; Sharma, 2004) and often contradictory. Therefore, it is important to understand how generational change influences a family firm's ability to select, execute and manage a well-functioning strategy to enhance a firm's vision and objectives (Vision fit strategy), innovative capacity (Strategy fit strategy) and family ownership structure (family fit strategy).

The case evidence here is the Tata Group of auto manufacturing and IT enterprises, India's most well-known family enterprise. Ratan Tata, a third generation leader, successfully provided strategic leadership, diversifying the business to ensure future development and sustainability. Ratan Tata led the group to implement a strategy plan in 1983 to venture slowly into technology oriented businesses, study current trends of business ventures and come up with better ideas in product innovation, to merge and create business partnerships

as well as foster group cooperation interaction in terms of technology sharing and knowledge transfer. Tata also focused on rebranding Tata into a group cooperate logo owned by Tata heirs in 1998.

2.3 Innovation Capacity in Family Business

Enterprises can create robust competitive advantage by utilizing their traditional strengths with new upgrades in technology (Porter, 2001). Therefore, the ability of family enterprises to compete, particularly in converting tacit knowledge to codified knowledge, depends on how the next generation ensures innovation through new technology and knowledge. Innovation consists of the invention of new processes, products or services and the creative application of 'old' knowledge into economically successful innovations. This innovation capacity has been defined by various scholars (Barney 1991; Dosi et al., 1992; Lall, 1995) as the capability to swiftly introduce new products and adapt to new processes that sustain a firm's competitive advantage (Barney, 1991).

The particular innovation capacity of family firms to transfer tacit knowledge into economically codified products by enhancing knowledge sharing and creation is essential (Nonaka, 1995) to ensure the organization's capabilities with functional expertise are coordinated, structured and communicated. Technological learning plays a vital role in a family firm's competitive success and is linked to the family firm's enterprise development that exploits entrepreneurial dynamics (Zahra and Covin, 1995). Family firms that operate in diverse national product markets have access to information on new innovation of ideas and processes that enforce technological capabilities.

And, yet, previous research has shown that not many family firms can survive beyond the second generation (Lansberg, 1988; Kets de Vries, 1994). Furthermore, the existing literature mainly focuses on family businesses operating within European or American context. Family is a relationship-based system and in an American context, the business is normally a performance-based system (Handler and Kram, 1988). Given the differences between the two systems, conflicts constantly occur within a family business (Ward, 1987). Such conflicts inevitably caused by the implementation of chosen strategies to develop an enterprise which entails utilizing innovation, specifically building on tacit knowledge embedded within the family enterprise.

In certain countries like the United States, family businesses exercise a different form of evolution based on the method of industrial restructuring. Several researchers in the United States have attempted to conceptualize the several dimensions of family firm strategies in the American manufacturing industry across the century following the Civil War. They focused on long standing companies that had completed generational transitions. For example, research such as that undertaken by Scranton has produced works highlighting the economic contributions of small businesses which indicates that some family enterprises continue to play the sizable role they held in the early and middle stages of US business development (roughly through World War I), though they are inherently inefficient (Silcox, 2010). Scranton shows that politicians and policy makers have to debate on how to plot the future course of small businesses. A historical look provides sobering lessons about the limitations of government aid to small firms but also highlights the fact that this social institution has proven to be remarkably resilient. Many Americans are still driven by what

Adam Smith called “the contempt of risk and the presumptuous hope of success” (Scranton, 1997).

Previous research indicates that family enterprises in the United States are rife with feuds, necessitating a shift “to professional management as quickly as possible” (Harry Levinson, 1973). This can be seen clearly in Scranton’s research on Campbell, a third generation family-run enterprise. The founder, John Dorrance, had little qualms about rewarding skilled employees with bonuses. On the mass production side, Dorrance focused on condensed soups and reduced the firm’s diversified canning lines to a singular one, successfully harnessing nascent “convenience” demand in its earliest stages. The founder later turned Campbell stock into a set of trusts reserved for his children while the trustees turned the soup company into a proper managerial enterprise by letting family members enjoy an ample incomes over the ensuing 50 years (Scranton, 1991). However, tacit knowledge is transformed into and sustained in a codified form will be assessed in this study. Entrepreneurship, tacit knowledge and organizational change and development will be discussed in this chapter to show how antecedents of this innovative capacity will influence the enterprise’s development and outcomes across generations.

2.4 Tacit Knowledge to Codified Knowledge

Previous researchers argue that tacit knowledge transformation is hardly codified due to lack of clarity in tacit ideas. Previous studies contend that tacit knowledge management is implied and not plainly stated or clearly formulated in family enterprise since family relationships are built and embedded for a long time in family business (Glisby and Holden,

2003). Also importantly is that a major obstacle to innovation in family enterprises is information sharing as family members usually do not trust outsiders particularly when it comes to professional management.

Venture cooperation and mergers clearly promote organizational capabilities when family enterprises begin to internationalize their operations to increase their brand reputation in the international market. In principle, knowledge sharing normally takes times in creating codified knowledge from existing tacit knowledge since family enterprises prefer not to publicize tacit knowledge. The higher of interpersonal skills in interacting with others, higher efficient the transformation of knowledge from tacit into codified forms (Hutchings and Michailova, 2003).

Japanese researchers have developed a knowledge matrix that helps organization members to ensure the longevity of family enterprises by allowing them access to a different dimension of organization identities to think logically, solve problems in novel situations and, therefore, better fostering innovativeness (Nonaka, 1995). In the context of multi-generation family enterprises, the founders would have traditionally led their successors paternalistically through a hierarchical family structure. By maintaining such a hierarchical family relationship, family harmony is achieved (Redding and Witt, 2011; Child and Warner, 2003). Since successors, focus more on equal and professional leadership following a generational change, high levels of capacity, flexibility, persistence and autonomy are critical from one generation to another to encourage a culture of innovative and creative ideas (Weatherley, 2002; Ling and Fang, 2003;).

2.5 Entrepreneurial Intentions and Tacit Knowledge

Entrepreneurial intention is defined as a temporary psychological state towards the formulation of new business concepts. Substantial literature focusing on interpersonal characteristics (Gartner, 1988; Shaver and Scott, 1991; Yosuf et al. 2007), the impact of education (Dyer, 1989; Jo and Lee, 1996; Shepherd and DeTienne, 2005), differences in gender role (Brush et al., 2004; Gupta et al., 2008), family background (Aldrich and Cliff, 2003; Carr and Sequeira, 2007), effects of accumulated experiences from the past (Krueger, 1993; Rajman, 2001) and entrepreneurial personality traits have recently appeared. These studies determine whether entrepreneurial intention has the capacity to be transformed from tacit knowledge into codified forms.

Huang et al. (2010) found that social capital influenced relationships inform this orientation which in turn has bearing on knowledge development in an organizational setup. Similarly, in family enterprises, studies claim that members on the board exhibit values and characteristics based on their long-term family relationships (Tagiuri and Davis, 1996). These characteristics will benefit the family enterprise during generational change in family businesses. Strategies are adopted in family enterprise following a generational shift while key features of the enterprise are reinforced (Ogbonna and Harris, 2000).

In Spain, for example, research indicates that family enterprises have better market orientation which implies that specific marketing know-how is transmitted across generations and a higher degree of connection to clients continues and is accumulated over different generations (DGPYME, 2003). A similar situation can be found in Sweden's Ikea,

an unlisted family business and multi-national international furniture and household goods manufacturer and retailer. This firm has a reputation for innovative architectural and interior design which has led to its capacity to produce well-designed products that are retailed at low prices. Ikea is managed as a family business. No indication could be found to suggest a loss of confidence in capital markets caused of Kamprad's, the founder of Ikea, strategy adoption. The Kamprad family have been shown that the basic or inherent features of family-owned businesses, which are more focused on progression towards an advanced state, have solid interpersonal relationships. This tends to encourage them towards new technology adaption, ventures and ideas differently (Brian and Mary, 1999).

2.6 Organizational Change and Development

The definition of a family business may vary internationally, and changes of family ownership may involve different characteristics that boost capabilities in specific societies (Church, 1993). All companies, including family enterprises, can be divided according to levels of clarity or transparency. Indeed, innovativeness fosters clarity in companies (Radyghin, 1999). Organizational change and development may affect management style. A more progressive form of organizational change is one that can help attract new employees, has a proclivity to invest in new technologies, is a consistent attempt to introduce new planning systems, and introduce new controls and performance systems to overcome problems of old traditions that make a family enterprise weak (Davis, 1983).

Davis (1983) notes that the development of family business may tied to two divergent perspectives. The first involves the effect of social and external economic forces on a family enterprise. With this focus on external forces, it is possible to describe when and

how a family enterprise reacts to its environment, though it is difficult to predict what kind of changes will occur or when they will happen. The second perspective sees the family business changing in a predictable sequence of stages, motivated by conditions in the external environment as well but mainly by complex internal factors that arise as a firm matures.

Those models focus on organizational life cycles. As a family business matures, it leads to a merger of adaptation and renovation challenges that it must deal with effectively otherwise the enterprise may disappear (Gersick et al., 1997). Change and growth are essential to family business success. The pressure to grow leads to the need of always fostering the idea of the need to change within the firm (Heifetz, 1999). The most important lesson to be learned is the need to combine strategic revolutions with leadership changes, and that new leadership needs to be prepared to have the capacity to respond to change by having a well-defined growth strategy (Ward 1987). For instance, some family enterprises assimilate well into the local community, do business locally and actively participate in local activities to attract more investors and increase the amount of DFI.

In Malaysia, the Kuok group is reputed to be way ahead of other Malaysian family firms in adapting to a changing world, including extending its scale and scope of doing business thus emerging as a well-diversified, entrepreneurial multi-national enterprise (Gomez, 1999). The Kuok group pursued new businesses and trading opportunities in complementary and related activities for growth, especially in commodities which resulted in trading links with international companies. Another case is Cheung Kong Infrastructure Holdings (CKI) which successfully evolved from its original business as a plastic flower

manufacturer to one known for producing the Vita Gain health drinks (second generation) and wireless network infrastructure (third generation). CKI has shown a capacity to change the primary focus of its business when a new generation takes over, primarily to sustain the family enterprise.

2.7 Enterprise Development in the Family Business

Family businesses utilize its basic or inherent features for proper innovation management (Craig and Moores, 2006). Studies on innovation generally focus on large-scale enterprises, primarily because family businesses get absorbed by other large companies. A few studies indicate that enterprise development in a family enterprise is characterized by a huge stress on innovation and aggressive marketing techniques (Lansberg, 1991). The strategic orientation of a successful family enterprise is linked with its ability to identify and occupy a niche market in an economy (Hadjimanolis, 2000).

Another core issue in the literature is that family firms benefit from a focus on ownership and management techniques (Daily and Thompson, 1994). Decisions relating to internal functioning are often strategic in nature to promote product and process innovation which is a core strategic orientation feature that ensures business success and survival (Ward, 1998). Feedback from family enterprises to their suppliers and customers increase and speed up when there is stress on the internal functioning of the company. These links of acquaintances and trust are of obvious importance in R&D-type projects, aimed at developing new products or production methods which constitute a base for new innovation.

Zeitlin (2003) makes an important point that the level of employing technology, an imperative issue when pursuing economies of scale and scope, is a reflection of entrepreneurial action that materializes in “economies of varieties”, i.e., “the capacity to adjust the volume and composition of output flexibly and to introduce new products in response to shifting demand and business strategy”. A good example of “economies of varieties” is the “practical manufacturer”, seen when an individual appears to be radically different from those of standardized productions (Scranton, 1997). To enforce higher sensitivity to market change, a firm would then owe its strength to technical competence. At this stage, innovation is not a sudden change but a steady step with small adjustments in business development from small to a large scale enterprise (Casson et al., 2002).

2.8 Chandler Business History and Enterprise Development

There is a good range of analysis regarding economic and enterprise development in East Asia, though a large segment of this literature employs a political economy perspective with a focus on the “developmental state” to explain the rapid and phenomenal rises of companies in this region during the second half of the last century. The inadequacy of the analysis tools provided to assess the performance of these companies by developmental state literature was patently obvious following the East Asian currency crisis of 1997 (Chang, 2006). Therefore, this study is different from other family business research where the author adopts a developmental state perspective applies concepts of organization synthesis or historiography research in business, particularly on the work of Chandler (see Gomez, 2007), to study the rise of East Asian family firms. This is especially so in Malaysia

where its uniqueness from an East Asian development state economy was headed by the government's focus on education investment to keep pace with global knowledge employment (Woo-Cumings, 1999).

As Gomez (2009) notes, there is a lack of desire among academics studying the rise of East Asian firms to consider Chandler's work. There supports Gomez's (2007) contention that understanding evolution and enterprise development in East Asia, specifically Malaysia, is crucial since scholars in this area have already pointed out the weakness of its "market-leading strategy" (Wade, 1990) which allows firms to "get the prices wrong" as time goes by (Amsden, 1989). Therefore, this study stresses on family business history such as the family tree, family role and new product development milestones of family firms in plastics and food industries dating back to its moment of incorporation. This will help to fulfil the gap in tools analysis used to assess the performance of successful family SMEs that successfully codify and commercialize their tacit knowledge. This is so because this study adopts the concept of "organizational capabilities" articulated by Chandler to understand why accumulative learning within an enterprise is crucial to encourage profit-concerned entrepreneurs to venture into specific economic sectors, niche markets or branded production deemed important for industrialization (Chandler, 1990; Gomez, 2009).

The uniqueness of this study is that it utilizes concepts from a Chandlerian perspective such as "administrative coordination" to indicate growing professional development capabilities that move away from dysfunctional institutions and ill-conceived regulations which hinder new market development towards sustainability. In *The Visible Hand: The Managerial Revolution in American Business* (Chandler, 1962), Chandler notes how as managerial

hierarchies have been implemented in organizations, professional control structures become separated in terms of ownership control. Moreover, Berle and Means (1967) contend that the mode of ownership and control of a firm is related to long term sustainable development. Therefore, this study focuses on issues of generation change related to family enterprise evolution in a few stages: Stage 1 partnerships; Stage 2 single family business and Stage 3 managerial control based on the SMEs categorization from small, medium and large scale family enterprises (Chandler, 1962, 1977; Penrose, 1980).

Additionally, Chandler writes that the development of modernized enterprise based on industry specification does not intentionally refer to the company's philosophy in management or access to cash or liquid assets but to periods when diversification of its business activities might become necessary as such factors could determine its progress or demise. In *Scale and Scope: The Dynamics of Industrial Capitalism*, Chandler emphasises this issue when he attributes the decline of big businesses to its failure to invest sufficiently in three key areas: manufacturing, marketing and management (Chandler, 1990) as well as organizational capabilities and managerial coordination articulated by Chandler which have been included in studies undertaken in Malaysia (see Yacob, 2005). Therefore, this study provides insight on how the evolution of a family firm that applies the 3Ms leads them to rectify or introduce new augment innovation and increases the market share of its products across generations.

By 1970 in America, a paradigm shift in organizational behaviour promoted and continued the vitality of "organizational synthesis" and involved both public and private organization building with the creation of new and elaborate networks (Galambos, 1970). It is also

important to note that foreign firms provide a new element of competition when they enter a market which can have a detrimental impact on family firms, particularly in the manufacturing sector because of the competitive advantage foreign firms possess. Foreign firms can also increase the concentration on enhancing knowledge transfer between them and domestic firms which include SMEs or family firms (Colli and Rose, 2003). Most of the family enterprises in this study have had experience in conducting OEM (Original Equipment Manufacturing) in plastics production and private labelling in food production with Malaysian MNCs contributing good research findings that link family business literature with tacit knowledge conversion when they partner with foreign firms.

Recent studies have explored the interaction between personal experience and business “strategy” and the power of both “private” and “business” critical incidents. More recently, there is an interest in considering contemporary venture creations motivated by the goal of understanding enterprise development in industrialized and rapidly industrializing countries which include family enterprises (Thornton 1999; Aldrich 1999; Gartner et al., 2005). Therefore, studies of entrepreneurial historiography has played a vital role to better understand long term shifts in the fundamental structure of an economy which is often linked to growth and economic development in businesses, industries and economics (Jones, 2005). Such studies are also becoming more common in the case of Malaysia.

2.9 Enterprise Development in Malaysia

In the case of Malaysia, a majority of studies have focused on large-scale enterprises. There has been very little research on family-owned SMEs including those that operate in

formally in the economy. Perhaps there is a major reason for this anomaly in literature on family-based SMEs in Malaysia.

The government's subscription to policies under the developmental state model from 1981 till 2003, particularly during the two decade-long premiership of Mahathir Mohamad (Malaysia 4th prime minister), can be said to have contributed to Malaysia's fairly rapid economic development. State-led development, replicating post-war Japan's form of economic growth, was imperative for Mahathir in order to support domestic enterprises and encourage the rise of large business groups. His desire to develop huge conglomerates was strongly influenced by East Asian corporate models, specifically the South Korean *chaebol* and the Japanese *zaibatsu*. Mahathir appeared more enthusiastic about the family-controlled *zaibatsu* system than the interlocking stock ownership *keiretsu* pattern of corporate development, where corporate equity was very widely dispersed. The *zaibatsu* system would later evolve into the *keiretsu* mode of corporate holding after World War II (Morck and Masao, 2003) with an emphasis on the close links between the financial and industrial sectors to advance industrialization. Mahathir used these East Asian corporate development models as templates while promoting the creation of large, internationally recognized Malaysian conglomerates that would also help rapidly industrialize the economy.

There have been important studies on large Malaysian firms before the appointment of Mahathir, former Prime Minister of Malaysia. These studies include those by Lim (1981), Tan (1982), Sieh (1982). These studies drew attention to extensive interlocking ownership and directorship patterns among large firms which had led to significant specialisation, with

a focus on foreign companies and Chinese-owned enterprises. By the turn of the century, the leading enterprises in Malaysia were government-linked companies though a few family-based firms also featured as prominent publicly-listed companies. These firms included those owned by the Lim, Yeoh, Quek, Kuok, Tan and Lee families (see Gomez, 1999).

In Malaysia, Gomez's masterpiece on *Chinese business in Malaysia: Accumulation, Ascendancy, Accommodation* provides an in-depth examination of eight large publicly-listed Chinese firms which are all family-owned though that was not his primary focus (Gomez, 1999). Gomez also conducted a comparative study of small and medium-sized Chinese family enterprises in the United Kingdom (UK) and Malaysia through an analysis of available data from the UK companies house (Gomez, 2007). Gomez found that most family SME owners in Malaysia preferred their heirs to become professionals, a factor that has hindered the development and direction of these family firms (Gomez, 2004). There were specific reasons for this lack of desire by family SMEs to develop their enterprises. One core issue was their response to discriminatory public policies such as affirmative action. Another was the lack of government support for SMEs, specifically those owned by ethnic Chinese (Gomez, 2009).

Importantly too, most Malaysian enterprises, particularly those in the manufacturing sector, are controlled by foreigners. Studies on this link between Malaysian family businesses and foreign firms are still at an embryonic stage (Rahman, 2006). Other issues of importance, specifically for this study, include the fact that after Indonesia and Thailand, Malaysia has ranked as the third highest in the extent to which large firms in the industry

have market control (Claessens et al., 2000). In 2009, a number of family enterprise owners were listed among the 40 richest Malaysians (Singh, 2008).

However, the growing occurrence of generational change in family enterprises has brought about an evolution in the family business system, a point noted by Gomez (1999, 2004) in his study of Chinese-owned family firms. The mode of enterprise development depends on the direction, goal and objectives that need to be achieved. In Malaysia, Jasani's study on family business briefly discussed issues related to family firms in Malaysia (Jasani, 2002). Though he notes the growing demise of founders, his study only provides a quick descriptive review of family enterprise characteristics without analyzing the impact of leadership when the next generation takes over the business. What is of importance in his study is its contention that when the next generation takes over the family enterprise, issues such as innovation capacity become extremely important.

Many third-generation family enterprises in the West have evolved into managerial corporations. However, total professional management in Malaysia's family enterprise is rather rare with a few exceptional cases such as Lee Rubber-OCBC Bank Holdings Ltd founded by Lee Kong Chian. Lee's company was one of the first to incorporate professional managers in the family enterprise during the 1940s and 1950s in Malaysia. Today, although family members still sit on the board, a largely professional team runs the OCBC Bank with little influence from the Lee family. Another similar case is Public Bank Bhd founded by Teh Hong Piow. Interestingly, these two examples are family enterprises that are involved in the banking sector. In the Malaysian manufacturing sector, knowledge about this issue is modest.

Previous findings have revealed that foreign-owned enterprises have a higher median score of R&D as compared to domestic firms, particularly family SMEs in Malaysia. Inevitably, their generation of innovation is low. In addition to the active promotion of R&D, most foreign-owned firms provide training for their employees. This implies that a lack of innovation maybe explained by the fact that most Malaysian family SMEs in the manufacturing sector acquire knowledge solely by adapting and adopting foreign technology (Rasiah, 2004). Such SMEs do not emphasize developing a well-trained cohort of employees and managers, nor is there much stress on machine and technology upgrade and product innovation (Shapira et al, 2006).

Previous studies have also argued that through MNCs, DFI has fostered economic development in the manufacturing sector in Malaysia by increasing export capacity in cutting edge technology such as micro electronics, semiconductors and biotechnology. MNCs in Malaysia have also transferred know-how in production practices through subcontracting or outsourcing contracts (Shapira et al., 2006). However, it has also been well argued that R&D levels, especially those that lead to product innovation in the Malaysian manufacturing sector, are far below the manufacturing industrial levels of the West. This is primarily due to lack of research on industry-linked cooperation or partnership, a skills mismatch with MNCs technology, lack of R&D capabilities in the local marketplace and poor organizational support (Narayanan and Wah, 2000). Since family-owned businesses play a vital role in the economic development of a country, it has become increasingly imperative for them to develop cooperative ties with MNCs in order to ascend the technology ladder. While there is evidence that this has been occurring in family firms,

there has been no detailed study of this issue. In order for family businesses to develop an entrepreneurial capacity, they need to inculcate certain practices and maintain a good balance between family and business matters namely through namely objective-setting, involving the 3Ms and innovation which occur best when they associate themselves in production ties with MNCs. This study will focus on these aspects in MNC-SME ties through an assessment of family firms in the manufacturing sector.

CHAPTER 3

Methodology

3.1 Part I: Conceptual Framework

3.1.1 Introduction

Building on related literature and theories presented in Chapter 2, a conceptual framework was developed for this study. This framework consists of an assessment of the impact of generational change on a firm from three perspectives, namely organizational characteristics (objectives), organizational structure (3Ms: marketing, management and manufacturing) and innovation capacity (tacit to codified knowledge, R&D, product development and change). These factors contribute to forms of strategy implementation by Malaysian family enterprises that shape enterprise development. Despite an increase in the volume of research about family enterprise development, there is still insufficient knowledge about how to enhance organizational capabilities, specifically how tacit knowledge is codified and developed as a major brand product (Leonidou and Katsikeas, 1998). Therefore, this study's conceptual framework could help determine factors that trigger significant changes in family enterprises particularly in setting objectives, the 3Ms, tacit knowledge transformation, product development and R&D following the emergence of a new generation to achieve enterprise development.

3.1.2 Conceptual Framework

A conceptual framework involving analysis of family firms needs to integrate conceptual tools from other disciplines and theories (Leonidou and Katsikeas, 1998). Previous research indicates that the organizational characteristics of family histories and profiles such as age and education, objective setting (Davis and Harveston, 2000), organizational structures involving the 3Ms as articulated by Chandler (Chandler, 1977) and the antecedents of innovation capacity (Hurley and Hult, 1998; Hadjimanolis, 2000) during generational change (Gallo, 1995; Gomez-Mejia et al., 2002; Fernández and Nieto, 2005) have influenced the strategic direction and behaviour of the next generation after the founder relinquishes control. These factors are seen to have contributed to positive or negative outcomes of a family enterprise as they have bearing on the strategies deployed to improve organization capabilities, enhance R&D, develop partnerships and joint-ventures as well as secure adequate financing to help an enterprise develop branded products and create niche markets (Kelly et al., 2000; Morck and Yeung, 2003). Figure 3.1 illustrates the proposed conceptual framework that will access and link family business profiles and organization changes with organizational characteristics that lead to strategic management implementation and enterprise development, thus shaping how a family firm evolves.

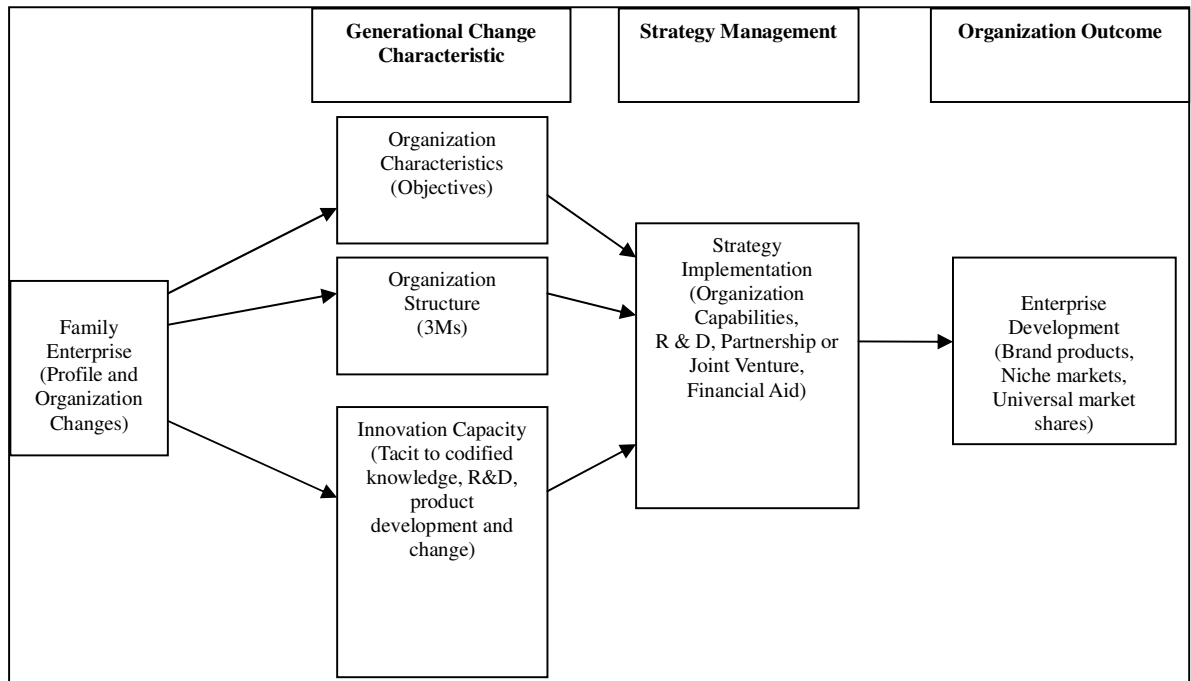


Figure 3.1: Conceptual Framework of Family Enterprise, Generational Change and Enterprise Development

3.1.3 Profile and Organizational Changes

A careful reading of the abundant literature on family firms, particularly case studies, would draw attention to the enormous influence of how organizational objectives change, employment of the 3Ms are enhanced (Chandler 1997; Chandler et al., 1999) and how focus on nurturing innovation capacity have shaped the evolution of an enterprise (e.g. Damanpour, 1991; Hurley and Hult, 1998; Siguaw et al., 2006). Three studies have emerged from research on strategy implementation across generations in family enterprises (Prajogo and Ahmed, 2006).

The first stream examines human perspectives in terms of generational change. Successful innovation depends mainly on an organization's capability, quality management and adoption of resource utilization which shape organizational outcomes (Habbershon and Williams, 1999; Sirmon and Hitt, 2003). The second stream focuses on R&D and technology upgrading that influence innovation intention (e.g. Napolitano, 1991; Leblanc et al., 1997). The third stream debates if family enterprises are beginning to recognize and capitalize on global opportunities through partnerships, joint-ventures and financial support which are key factors that could lead to enterprise development if well implemented (Claver et al., 2009). Hence, the first hypothesis for this study of Malaysian family firms is as follows:

H1: *Generational change will influence organizational changes within a family enterprise (objectives, 3Ms and innovation capacity) led by the implementation of strategic management to achieve enterprise development.*

3.1.4 Objectives

Previous studies suggest that the family-owned character of a business could be altered following a generational change, which can have bearing on the form of enterprise development. This is partly because enterprise development processes can be reconfigured following a change in the firm's objectives, structure and strategic focus. Habbershon and Williams (1999) draw attention to the Resource Based View (RBV), a concept that further examines the uniqueness of the family structure in a business organization in achieving enterprise development. Family business researchers point out that the uniqueness, heritage

authenticity and objective settings are core competencies to have longevity in a family business (Ward, 1987, 1999, 2008; Corbetta, 1999; Aronoff and Ward, 2001). Hence, the second hypothesis for this study is as follows:

H2: *New objectives after generational change in a family enterprise will shape strategy implementation to develop an enterprise.*

3.1.5 3Ms (Manufacturing, Management and Marketing)

Previous studies argue that manufacturing processes in the industrial sector are stimulated by new waves of technological innovation that have spread to the chemicals, electronics production, transportation and logistics, oil and gas, metals technology, food and beverages sector, all of which are categorized as capital-intensive industries (Chandler et al., 1999). This mode of growth, emphasized through innovation linked with supply chain management, affect organizational change and development. The growing specialization of roles within each component of the firm, i.e. administration, production, distribution, etc., lead to management structures that soon come to be crowded with low, middle, and top managers who become more autonomous from the founder's family (Chandler, 1997).

The paradigm shift from family capitalism to financial capitalism occurred as the development of family firms demanded more investment and financial strength where bankers and other financiers share top management decisions (Chandler, 1997). In the end, the transformation from a family enterprise to an industrial enterprise distributes and allocates resources with corresponding strategies to become a modern enterprise. With the

rise of modern enterprises, the transformation of industrial enterprises triggers the birth of some *first movers* in national and international marketplaces (Elbaum and Lazonick, 1986; Chandler, 1990). Hence, the third hypothesis for this study is as follows:

H3: *The introduction of the 3Ms (Manufacturing, Management and Marketing) across generations in family enterprises will influence strategy planning and implementation that shapes how an enterprise develops.*

3.1.6 Innovation Capacity

Innovation as a system or policy is a product or service adopted from daily human life which are ideas or behaviour that will enhance organization capabilities (Daft, 1982; Damanpour, 1991). Innovation capacity is defined as the capacity or capability to engage innovation in new processes or managerial skills in an organization (Damanpour, 1991; Hult et al., 2004).

Successful innovation always starts with organization capabilities that perceive the usefulness of strategic change and of being innovative and even in a family enterprise (Burns and Stalker, 1961). Managing cross functional teams, top down relationships, customer relationship management, skills upgrading and talent management as well as nurturing sub-contract ties are seen as antecedents of innovation capacity. However, a majority of family enterprises lack the ability to nurture and catalyse innovation capacities for a bright future. Additionally, the culture of family businesses may restrain innovative dynamics even though knowledge and expertise are inherently present within family

business areas (Zahra et al., 2006). Innovation capacity and strategy are linked and exploring innovation capacity is necessary for enterprise development. Hence, the fourth hypothesis is as follows:-

H4: *Innovation capacity across generations in family enterprises will influence strategy implementation to develop an enterprise.*

3.1.7 Strategy Implementation and Enterprise Development

The survival of family firms depends on how the next generation achieves enterprise development. Indeed, literature indicates that family members always hope to pass the leadership role and ownership control to their next generation rather than adjust their lifetime plan to consume their wealth (Zahra, 2005; Kim et al., 2008; Chang et al., 2010). Good capital management would help enforce business sustainability for future generations (Habbershon and Williams, 1999; Lim et al., 2010), whereby these businesses are expected to achieve long term sustainability by investing in organizational capabilities, R&D, joint-ventures and partnerships (Kim et al., 2008; Chen and Hsu, 2009; Munari et al., 2010; Sirmon and Hitt, 2003). Openness about ideas, decision making autonomy and family involvement are crucial in family enterprises to promote organization flexibility towards innovativeness (Craig and Dibrell, 2006). In essence, they may think of different forms of strategy implementation as family firms to achieve organizational outcomes that foster long term enterprise development to gain competitive advantage (Salvato and Moores, 2010).

In the Chandlerian perspective, emphasis on transitions in ownership and control influence the growth and development of a company (Penrose 1980). Briefly, there are three steps in enterprise development and change: Step 1: business partnerships; Step 2: self ownership /family business; and Step 3: managerial control. In most cases, the transition period from a business partnership (Step 1) to self ownership of a family enterprise (Step 2) is time consuming. The transition from Step 2 to managerial control (Step 3) occurs in generational change across second and third generations (Chandler, 1977; Penrose, 1980). Chandler's *The Visible Hand* reviews changes and development of a family self ownership enterprise to a professionally run enterprise. This study persuasively indicates that the growth and development of a modernized industry depends on its capabilities to enhance and upgrade technology and value added production in R&D expenditure to expand their distribution channels from local into the international marketplace. Therefore, managers need to develop organization structures by introducing new sets of innovative processes or new product development to suit economic changes in internal as well as external market (Chandler, 1977). Hence, the fifth hypothesis is as follows:-

H5: *Strategic planning that informs the pattern of development of a family enterprise depends on its profile and if characteristics of the new generation match the requirement to implement these strategies effectively.*

3.2 Part II: Research Methodology

3.2.1 Introduction

It is argued that good research is dependent on the selection of research methods that are most appropriate for answering the research issues at hand (Morse and Richards, 2002). Accumulated experience from previous research practice will enhance codified knowledge and learning capabilities to link the contribution of ideas between old and new researchers in the area of research (Pettigrew, 1990; Suddaby, 2006). It is vital that family business researchers share their methodology as well as their accumulated research experiences frequently (Handler, 1989; Sharma, 2004). What is imperative, particularly in the case of research involving family firms in Malaysia, is the need for more qualitative and interpretive research, one that is rigorous and draws from as well as builds on existing theories. In-depth research is essential to facilitate research methodology in order to understand complex phenomena and processes related to generational change, innovation capacity and enterprise development in family enterprises.

In this regard, adequate attention has to be paid to the sampling strategy as previous studies have indicated that this may change as the researcher increases his or her understanding of what they are researching (see, for example, Morse and Richards, 2002). Case selection has been used in this study to control the influence of extraneous variables and to help define the boundaries for generalizing from research findings, an important process noted by some scholars (see, for example, Eisenhardt, 1989). In practice, the number of cases selected is often influenced by pragmatic considerations such as financial and time constraints (Carson et al., 2001; Eisenhardt, 1989). Based on previous qualitative research, the minimum

acceptable number of cases would appear to be around two to four (Miles and Huberman, 1994) while the maximum ranges from ten to eighteen (Carson et al., 2001). Even though the issue of time constraint was a factor in this study, a large sample of 28 companies in plastics and food manufacturing was used, categorized as small, medium and large enterprises. These 28 firms are second, third and fourth generation family enterprises.

Although much qualitative research methodology has appeared on family businesses before, hardly any work has been done of such enterprises in Malaysia in spite of their huge presence in the Malaysian economy and their capacity to shape the country's economic development. That is no surprise in the lack of significant data in family business research. Few research academics, family business authorities and business associations regard family businesses as distinct entities that require careful analysis. Therefore, the choice of a longitudinal multiple case studies is argued for in this study which answers the research challenge of manufacturing firms on enterprise development. The research design is conceived as a comparative case study within and across two industries, plastics and food manufacturing. The research design follows a comparative approach to enable a deeper discussion in specific comparative studies and analytical techniques.

However, research on firm performance and ownership structures have been conducted in Malaysia. These studies show that there is a high concentration of ownership control in many public listed firms in Malaysia, inherited by heirs who have introduced and implemented new forms of development strategies (Rahman, 2006). Another study examined ownership concentration based on the top 100 Malaysian listed firms. The findings indicate that the maximum ownership concentration is 90 percent while the lowest

ownership concentration is 6.0 percent. Therefore, the concentration of ownership and control for public listed firms is high in Malaysia (Rahman, 2006). Another study focused on Malaysia's 40 most wealthy enterprises and most of these are family-owned. The results indicated that most of these large-scale family SMEs had effectively utilized resources by venturing into different industries and businesses from one generation to another (Singh, 2008). Another paper highlighted that Malaysia's 40 most wealthy family firms were becoming more prominent in the region over time (Ibrahim and Samad, 2010).

In this study, the uniqueness of an empirical study design is highly appreciated as a complex and advanced longitudinal, cross-industry and multiple case study of 28 firms in Malaysia's manufacturing sector covering a period of more than a century and two industries – the plastics industry (11 firms) and the food processing industry (17 firms). Using both archival sources and semi-structured interviews with key family and non-family directors and managers, the study provides an extraordinarily rich set of historical and contemporary empirical evidence on Malaysian family firms in two industries.

The difficulty in precisely describing family businesses is another reason why qualitative research is less undertaken which includes case studies (Handler, 1989). Exact information about family business is not readily available given the unique nature of most family businesses. There is no standard definition of family business even if all applicable information were made available. Table 3 shows how selected family business studies use an interpretive approach.

Table 3.1 : Selected family business studies using an interpretive approach

Author (year), publication	Topic	Theory/concepts	Empirical material (data collection)	Main findings and contribution
McCollom (1992) <i>Family Business Review</i>	Family and non-family employees' experiences of membership in a family business system	Family business system theory	565 stories from family owned retail firms	Stories reflect daily processes by which relations between family and business systems are created and sustained. Through stories, a system is constructed that reinforces a family's influence over the business.
Cole (1997) <i>Family Business Review</i>	Role of women and impact of gender issues on women's working lives	Gender, role and rules	Study of women in context of their business family in nine firms (interviews)	Women treat other women as invisible, they do not accept traditional roles, they take longer to make decisions, they advance as fast as men and believe they decide how much children hold them back professionally.
Johannisson and Huse (2000) <i>Entrepreneurship & Regional Development</i>	Recruiting non-family board members	Governance, contrasting ideologies (paternalism, managerialism, entrepreneurialism)	Pilot survey of 12 family businesses, case research into two family businesses (interviews)	Activating the board by adding non-family members enforces managerialism and challenges dominant ideologies of paternalism and entrepreneurship. Tensions can create energized and more competitive family business.
Hall et al. (2001) <i>Family Business Review</i>	Corporate entrepreneurship as strategic renewal and a change process	Culture and learning	Case research into two family businesses (interviews and observations)	Some cultural patterns preserve traditional ways of doing business, others facilitate change. To support entrepreneurship, a process of high-order learning in which old cultural patterns are questioned and changed is needed. To accomplish this, the culture needs to be explicit and open.
Ram (2001) <i>Human Relations</i>	Impact of family dynamics on management of professional service firm	Small business management, family system, kinship ties, household	Case research in one family business (interviews, company visits, observations and documents)	Household relations (rather than entrepreneurial individual) important for understanding operations; tendency to underplay female partner; employees both value 'family' aspects of organizational culture.

Table 3.1, continued.

Author (year), publication	Topic	Theory/concepts	Empirical material (data collection)	Main findings and contribution
Fletcher (2002) <i>Journal of Small Business and Enterprise Development</i>	Professionalization of the family business	Networks, culture, organizing	Ethnography of one family firm (observation, interviews, documents)	Employees shape cultural organizing by invoking emotional categories to trade away variance, divergent views and new practices.
Ainsworth and Wolfram Cox (2003) <i>Organization Studies</i>	Dynamics of compliance, resistance and control	Culture, shared understanding of divisions, interpretive divisions	Case research into two small family firms (interviews, site visits, observations, documents)	Employee perspectives shed light on critical aspects of family business cultures, family has symbolic, material and ideological meaning; family is hierarchical and gendered.

Hall et al. (2006) <i>Handbook of Research on Family Businesses</i>	Family and ownership influence on micro strategic processes of change	Arena, legitimacy, role and value, social interaction	One case illustration of a medium-sized family business	Strategic implementations are placed in values, and challenging these lead to role confusion, questioned legitimacy and thereby decreased organizational efficiency.
Hamilton (2006) <i>International Small Business Journal</i>	Role of women in founding and establishing family businesses	Patriarchy, identity, gender, entrepreneurship	Study of two generations in three business families (interviews)	Women resist and challenge patriarchy, given way to an alternative understanding of their previously marginalized role on family businesses.
Steier (2007) <i>Journal of Business Research</i>	Family's role for entrepreneurial start-up	Entrepreneurship, narrations, family ties	Case research into one start-up (interviews, company visits, documents)	Family is an important "sub-narrative" to understand start-up processes; family very important as support.
Nordqvist and Melin (2008) <i>Long Range Planning</i>	The role of actors in strategic planning processes	Strategy-as-practice, champions	Case research into two family business strategic planning processes (interviews, observations and documents)	Strategic planning champions as key strategic practitioners, acting as known strangers, artful interpreters and social craft persons to lead strategic planning.
Hall and Nordqvist (2008) <i>Family Business Review</i>	Professional Management	Culture and symbolic interactionism	Case research into five family firms (interviews, observations)	Professional management consists of formal and cultural competence. Family members can also be professional managers.

Source: (Goffee, 1996).

In Table 3.1, an interpretive approach in family business has the ambition of conceptualizing and contributing to theory through novel, sometimes critical (Ainsworth and Wolfram Cox, 2002), interpretations. Good interpretations are integrated into new or modified conceptual language and theoretical frameworks that increase the understanding of key issues in the field of family business. Following Whetten (1989), theoretical contributions should include answers to the what, how, why, who, where and when of the phenomenon under study. In brief, what refers to factors are considered part of the understanding achieved, while how refers to what way these factors are related to each other. Why is about the underlying psychological, economic, or social dynamics that justify the selection of factors and relationships. Finally, who, where and when are about contextual limitations, both time and space, of the theoretical framework generated (Whetten, 1989).

3.2.2 Data Collection

Previous studies have argued that good qualitative research requires the collection of data from multiple sources such as observational data, interviews, researcher's ongoing written theoretical notes and archival data (Morse and Richards, 2002). The case study approach can include documentation, archival records, interviews, observations (of research sites and of participants), and physical artifacts (Yin, 2003). Often referred to as data triangulation, the use of multiple sources of data is useful because it provides stronger substantiation of a study's overall conclusions (Eisenhardt, 1989). Numerous studies also suggest that qualitative research methods should focus on phenomena that occur in natural settings, involving the study of these phenomena in all their complexity (Goffee, 1996; Emerson, 2004). Qualitative research allows for interaction with interviewees and the opportunity to ask probing in-depth questions to fully understand the research problem, aimed at definition, differentiation or measurement.

For this study, numerous mechanisms were deployed to obtain information about 11 family firms in plastics manufacturing and 17 family firms in food production selected for assessment. Interviews were held with members of the new generation who managed these 28 family firms. Since all these firms are registered as companies, they are required by law to submit an annual report to the government's Companies Commission. This report has to provide a breakdown of the volume of equity held by each shareholder, the annual turnover, major changes in terms of acquisition or sale of subsidiaries, incorporation of new subsidiaries and so on. This study has chosen a longitudinal case study, usually done retrospectively and surviving firms that have undergone generational transition.

From the case studies, profile analysis about family history, milestones and knowledge transfer across second, third and fourth generations were analyzed according to the themes of generational change, innovation capacity and enterprise development. A comparison was done of the objective setting, organizational changes in 3Ms and innovation across generations which are crucial issues to identify and keep track of strategy implementation and organizational outcome. Therefore, this study follows the two industries by adding the conditioning variable of industry variation (food processing, plastic and their technological diversity) to the analysis to see patterns of similarity that explain if “successful” manufacturing family firms are identical across two industries.

3.2.3 Sampling Method and Size

Non-probability sampling is a sampling technique of the sample chosen based on convenience or personal judgment. Purposive sampling is a non-probability sampling technique in which a researcher chooses the sample based on his or her judgment of some appropriate characteristics. Figure 3.2 illustrates the decisions taken by researchers when drawing up their sample-base.

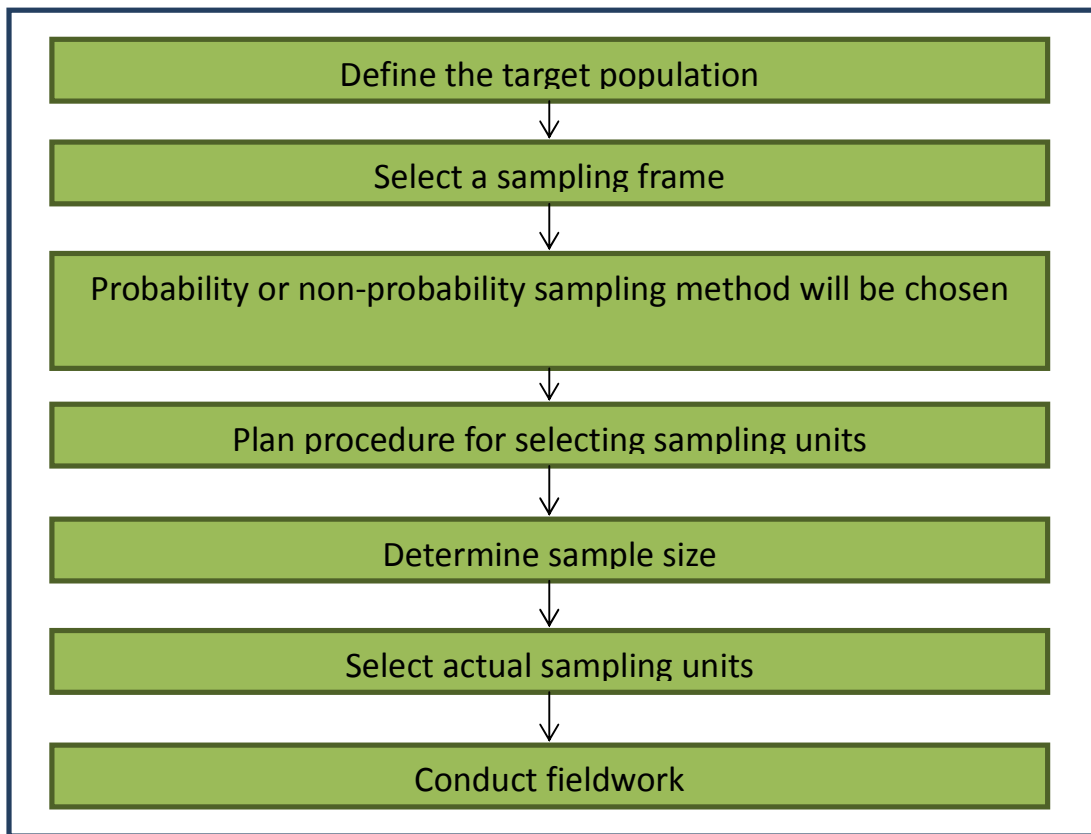


Figure 3.2: Sampling Method and Size

As mentioned, a total of 28 case interviews in plastics and food production were conducted for this study with an 80 percent response rate from family CEOs, primarily members of the second generation. In total, 107 completed sets of questionnaires used for analysis were submitted by family members and working staff from a total number of 28 enterprises in the plastics and food manufacturing sectors. Five cases were discarded from the study as the family members refused to go through in-depth interviews. Consistent with the research procedures for qualitative analysis, selected family enterprises had to start with at least one family business owner on the board. The selection process resulted in a range of generational enterprises being selected (second, third generations and beyond) to facilitate the examination of the influence of innovative capacity on enterprise development. Tables 3.2 and 3.3 shows the sampling research area and reasons for choosing these firms.

The focus of family businesses in plastics and food production is that firms are able to retain as well as develop their tacit knowledge to a significant degree which is a core reason why they have managed to remain unique in the market. This focus on developing tacit knowledge productively resulted in the adoption of new skills or technology that produced new products for the market, an indicator of the implementation of better value added production towards innovativeness. Well-educated family members from one generation to the next intend to disseminate and develop new knowledge. For example, how the next generation embeds specific skills and new knowledge in a firm, educates employees and re-shapes production, upgrades machines and recruits more professional managers to create brand products and explore opportunities in the niche market are found in plastics and food manufacturing.

Ethno-cultural aspects of family firms seem pertinent in first generation family business and especially so in the food processing industry because food habits and consumption are intimately linked to cultural tradition and institutions. Therefore, in-depth studies on family SMEs in food processing should clarify how the next generation retains this authenticity of tacit knowledge in food production, later commercialized in the next generation. The empirical investigation is not based on a single case but is a multiple case design consisting of 28 case studies for plastics and food production. The case studies were chosen based on the following criteria:

1. The family business has survived at least two generations. For example, the founder is either the present or retired chairman of the board of directors, and the son or daughter (the second generation), is the chief executive officer or managing director.
2. The sampling lists of family businesses comprising two industries will later be categorized as large, medium and small scale family SMEs. However, the geographical sampling reveals they are mainly located in West Malaysia. The usual areas for the sampling lists are highly industrialization states such as the Klang Valley, Penang, Selangor, Perak, Malacca, and Johor. There is a high concentration of the sampling lists in the Klang Valley.
3. Established a solid track record up to 2010, with a strong reputation or recognition in the domestic market with observable changes in terms of organizational structure, 3Ms and innovation milestones across generations.
4. Strong financial capabilities from annual sales, net profits, potential for growth, and not likely to fail in the future.
5. Nature of business with manufactured products clearly identified in terms of new product development across generations. The roles of the founder and the next generation are clearly seen, with a clear focus on enterprise development aligned with public policy.
6. Availability and willingness to consent to a focused in-depth interview. Often family businesses are suspicious of the aims of such research, and family business decision-makers may be reluctant to reveal their 'business secrets'; they may also be unwilling to spare the time required for such interviews.

Table 3.2: Sampling Research Area and Reasons for Choosing Plastics ManufacturingFirms

Family Enterprise	Nature of Business	Location Area	Recognitions	Reason to choose
1.SKP Resources Berhad Est: 1974 2 nd Generation Large Scale SME	High Precision Plastic Injection (Plastic Audio Parts and Accessories)	Jalan Kuang, Johor state	-Enterprise 50 award -Excellent quality management systems Pioneer products	-2 nd Generation family business. -Father and son leadership roles clearly seen. -Able to see the evolution from design to finished products, servicing MNCs.
2. Bina Plastic Est: 1980 2 nd Generation Medium Scale SME	Plastic Injection Moulding (Plastic Piping Manufacturer)	Balakong New Village Industrial Estate, Selangor State	-SIRIM UPVC Piping System -SIRIM PE, PVC, ABS and Solvent certification	-2 nd Generation family business. -Father and son leadership roles clearly seen. -Able to see the evolution from a piping manufacturer to piping systems andto export.
3. Guppy Plastic Est: 1970 2 nd Generation Medium Scale SME	Plastic Injection Moulding (Plastic Aquarium and Plastic Engineering)	Kawasan Perusahaan Cheras Jaya, SelangorState	-Service and product excellence recognition from Japanese and European customers	-2 nd Generation family business. -Father and son leadership roles in 2 family partnerships clearly seen. -Able to see the evolutionfrom hobby business to product diversificationand aninternational player.
4. Chang Huat Est: 1988 2 nd Generation Large Scale SME	High Precision Plastic Injection (Plastic Injection and Oil and Gas)	Senai Industrial Estate, JohorState	-Kenwood: best achievement MBO Supplier 2007	-2 nd Generation family business. -Father and son leadership roles clearly seen. -Able to see the evolution from a plastic injection sector player to participation in the oil and gas sector.
5.Lee Huat Est: 1947 3 rd Generation Medium Scale SME	Plastic Houseware (Plastic Houseware Manufacturer)	Shah Alam,MahSingIndustrial Park, SelangorState	-CEO Callum Chen named one of 25 Notable Processors 2007 by Modern Plastic	-3 rd Generation family business. -Father and son leadership roles clearly seen. -Able to see the evolution from a local manufacturer to OEM for MNCs, developing a personal design culture.
6. Polynic Industries Est: 1977 2 nd Generation Small Scale SME	High Precision Plastic Injection (Plastic Precision for Writing Instruments)	Mak Mandin Industrial Estate, PenangState	-Approved manufacturer of Underwriter Laboratory (USA) since 1978	-2 nd Generation family business. -Father and son leadership roles clearly seen. -Able to see the evolution from a hierarchical organization to flexible organizationandvirtual R&D.
7. Lam Seng Est: 1967 2 nd Generation Medium Scale SME	Plastic Injection Moulding (Plastic Industrial Container and Injection)	Petaling Jaya, SelangorState	-Asian Pacific International Honesty Enterprise Keris Award 2004	-2 nd Generation family business. -Father and son leadership roles clearly seen. -Able to see the evolution from Winner brand plastic containers producer to plastic injectionandhigh value plastic moulding design.
8. Kemajuan Est: 1973 2 nd Generation Medium Scale SME	High Precision Plastic Injection (Plastic Injection for Semiconductors)	Kepong Baru Industrial Esate, Kuala LumpurState	-National semiconductor award for supplying packaging rail 1991 -Fairchild award of excellence 2000	-2 nd Generation family business. -Father, son and daughter leadership roles in twofamily partnerships are clearly seen. -Able to see the evolution from fabrication to plastic manufacturing and MNCs in semiconductors.
9. Yew Lee Industrial Est: 1970 2 nd Generation Small Scale SME	Plastic Houseware (Plastic Brooms and Brushes)	Batu Berendam Industrial Esate, MelakaState	-Compliance with international requirements for Yew Lee trademark products	-2 nd Generation family business. -Father and daughter leadership roles clearly seen. -Able to see evolution changes from houseware manufacturer to industrial customized brushes.

10. Cemerlang Raya Est: 1987 2 nd Generation Small Scale SME	Plastic Houseware (Plastic Rayaco Cleaning Products)	Rawang Integrated Industrial Park, Selangor State	-Compliance of export standard requirements for Rayaco trademark products	-2 nd Generation family business. -Husband, wife and sons leadership roles clearly seen. -Able to see the evolution from broom manufacturer to industrial sponges and Rayaco products.
11. Sweetco Est: 1929 3 rd Generation Small Scale SME	Plastic Houseware (Plastic Canvas and Floor Mats)	Jalan Sungai Besi, Kuala Lumpur State	-Asian Pacific International Honesty Enterprise Keris Award 2004 -Expo Cintai Malaysia	-3 rd Generation family business. -Father and son leadership roles clearly seen. -Able to see evolution from canvas manufacturer with knowledge transfer from Maslinoto Econox (personal brand products).

Table 3.3: Sampling Research Area and Reason for Choosing Food Manufacturing Firms

Family Enterprise	Nature of Business	Location Area	Recognitions	Reason to choose
1. Eu Yan Sang Est: 1842 3 rd Generation Large Scale SME	Ready to Buy Products (Traditional Chinese Herbs, Medicine and Clinics)	Pudu Shaw Parade, Kuala Lumpur State	<ul style="list-style-type: none"> Brand Icon Leadership Awards 2011 for Dato' Anne Eu, Malaysian CEO for Eu Yan Sang group 	<ul style="list-style-type: none"> 3rd Generation family business. Father, son and daughter leadership roles clearly seen and assigned in Singapore, Hong Kong & Malaysia. Able to see the evolution from a traditional shop to retailing, manufacturing and TCM Clinic indicating development of tacit knowledge.
2. Khong Guan Est: 1937 3 rd Generation Large Scale SME	Ready to Eat Products (Cream Filled Biscuits and Biscuit Wafers)	Senai Industrial Estate, Johor State	<ul style="list-style-type: none"> Monde Selection International Accolade Best Quality Biscuits 2004 	<ul style="list-style-type: none"> 3rd Generation family business. Father and son leadership roles clearly seen. Able to see the evolution from traditional biscuit maker to production for the international market.
3. London Biscuit Est: 1994 2 nd Generation Large Scale SME	Ready to Eat Products (Snack Food, Cake Rolls and Candies Manufacturer)	Desa Cemerlang Industrial Estate Ulu Tiram, Johor State	<ul style="list-style-type: none"> MITI Product Industry Excellence Award 2004. 	<ul style="list-style-type: none"> 2nd Generation family business. Husband, wife and their children's leadership roles clearly seen. Able to see the evolution from a family business to snack food and the London Biscuit group.
4. Tatawa Biscuits Est: 1981 2 nd Generation Medium Scale SME	Ready to Eat Products (Chocolate Filled Biscuits and Mooncakes Manufacturer)	Bukit Pasir Industrial Estate, Johor State	<ul style="list-style-type: none"> Enterprise 50 Award 2001, 2004, 2006 Export Excellence Award 2004 Golden Bull Award 2004 	<ul style="list-style-type: none"> 2nd Generation family business. Uncle, nephew and niece leadership roles clearly seen. Able to see the evolution from Chinese traditional biscuit making to Tatawa biscuits following export destinations and Tianje Mooncake.
5. King's Confectionery Est: 1977 2 nd Generation Medium Scale SME	Ready to Eat Products (Bakeries and Confectioneries Manufacturer)	Taman Kepong Industrial Estate, Kuala Lumpur State	<ul style="list-style-type: none"> Malaysia's Largest Retail Confectionery Chain in Malaysia. Nearly 90 outlets in Malaysia 	<ul style="list-style-type: none"> 2nd Generation family business. Sister and brother leadership roles are clearly seen. Able to see the evolution from a hawker centre to outlet retailing and café franchising.
6. Laksamana Usaha Est: 1975 2 nd Generation Medium Scale SME	Ready to Cook Products (Noodles and Malaysian Foods Manufacturer)	Taman Bukit Maluri Industrial Estate, Kuala Lumpur State	<ul style="list-style-type: none"> Sirim Approved Laksamana Usaha Noodle Products as the Cleanest Mee in Malaysia 2010 	<ul style="list-style-type: none"> 2nd Generation family business. Father, son and daughter leadership roles clearly seen. Able to see the evolution from a home based business to manufacturing and push into the global arena.
7. TPC Plus Est: 1976 2 nd Generation Large Scale SME	Ready to Cook Products (Poultry Farming and Pioneer Egg Producers)	Alor Gajah, Kuala Lumpur State	<ul style="list-style-type: none"> McDonald's Appointed Supplier of Fresh Farm Eggs HACPP in 2006 and ISO 9001 in 2008 	<ul style="list-style-type: none"> 2nd Generation family business. 3 Brothers leadership roles in 2 family partnerships clearly seen. Able to see the evolution from chicken farming to poultry farming – to food biotechnology.

8. Vit Makanan Est: 1975 2 nd Generation Medium Scale SME	Ready to Cook Products (Instant Noddles Manufacturer With Vit's Trademark)	Rawang Intergration Industrial Estate, Selangor State	<ul style="list-style-type: none"> • Good Manufacturing Practice (GMP) • HACCP Certification 	<ul style="list-style-type: none"> • 2nd Generation family business. • Father and son leadership roles clearly seen. • Able to see the evolution from a food trader to Vit's instant noodles in UK Tesco Stores and Halal food.
9. Besfomec Est: 1948 3 rd Generation Medium Scale SME	Ready to Buy Products (Traditional Essence Drinks and Herbs)	Alor Gajah Industrial Estate, Melaka State	<ul style="list-style-type: none"> • Good Manufacturing Practice (GMP) • HACCP Certification 	<ul style="list-style-type: none"> • 3rd Generation family business. • Father and son leadership roles clearly seen. • Able to see the evolution from herbal products to Besfomec essence and nutrition supplement medicine.

Table 3.3, continued.

Family Enterprise	Nature of Business	Location Area	Recognitions	Reason to choose
10. Baker's Cottage Est: 1994 3 rd Generation Large Scale SME	Ready to Buy Products (Bakeries and Confectioneries Manufacturer)	Wisma Westcourt, Jalan Kelang Lama, Kuala Lumpur	<ul style="list-style-type: none"> • Best Mooncake Award in Malaysia 	<ul style="list-style-type: none"> • 3rd Generation family business. • Grandson's leadership role clearly seen. • Able to see the evolution from a subsidiary of Leong Hup poultry farm to diversification into a retail confectionery chain.
11. Ghee Hiang Est: 1865 3 rd Generation Small Scale SME	Ready to Cook Products (Sesame Oil, Tau Sar Piah and food products)	Macalister Road, Penang State	<ul style="list-style-type: none"> • Oldest Heritage Business in the Cookies Industry • Hong Kong Superbrand Award for Sesame Oil 	<ul style="list-style-type: none"> • 3rd Generation family business. • 3rd and 4th Generation for 2 family leadership roles clearly seen. • Able to see the evolution from a Ghee Hiang old fashioned store to food manufacturer and sesame seed biotechnology plant.
12. Khum Thim Est: 1970 2 nd Generation Small Scale SME	Ready to Cook Products (Varieties of Sauces and Yee Sang Processed Food)	Sungai Balak Industrial Estate, Selangor State	<ul style="list-style-type: none"> • Malaysia Keris Award 2002 • Golden Bull Award 2003 • IEC ISO UK 22000:2005 	<ul style="list-style-type: none"> • 2nd Generation family business. • Father, son and daughter leadership roles clearly seen. • Able to see the evolution from door to door sales from a lorry to sauce manufacturer and frozen food products and Yee Sang favorites.
13. KLT Food Industries Est: 1972 2 nd Generation Medium Scale SME	Ready to Eat Products (Restaurant Business and Mooncakes Manufacturer)	Cheras Jaya Industrial Estate, Selangor State	<ul style="list-style-type: none"> • Mooncake Superbrand Award in 2001 • Golden Chef Award-Paris 2000 	<ul style="list-style-type: none"> • 2nd Generation family business. • Father and Son leadership roles clearly seen. • Able to see the evolution from a hawkker centre to restaurant business, food catering and mooncakes and food related manufacturer.
14. Red Horse Est: 1964 2 nd Generation Small Scale SME	Ready to Drink Products (Beverages and Fruit Juice Cordial Manufacturing)	Taman Kepong Industrial Estate, Kuala Lumpur State	<ul style="list-style-type: none"> • Halal Food Recognition 	<ul style="list-style-type: none"> • 2nd Generation family business. • Father and Son leadership roles clearly seen. • Able to see the evolution from door to door sales from a van to manufacturing customizing orders for export trading.
15. Hei Hwang Est: 1975 2 nd Generation Small Scale SME	Ready to Buy Products (Coffee Powder and Health Supplement Powder Manufacturer)	Ipoh Silibin 1 Light Industrial Estate, Perak State	<ul style="list-style-type: none"> • Golden Brand Award of Ipoh Coffee in China. • Singapore's Most Promising Health Supplements 	<ul style="list-style-type: none"> • 2nd Generation family business. • Father and Sons leadership roles clearly seen. • Able to see the evolution from Chinese traditional herb drinks to coffee powder manufacturer and health supplements from herbal remedies.
16. Eng Hup Seng Est: 1987 2 nd Generation Small Scale SME	Ready to Cook Products (Sesame oil and Sauce Manufacturer)	Kampung Baru Industrial Estate, Selangor State	<ul style="list-style-type: none"> • Halal Food Certification 	<ul style="list-style-type: none"> • 2nd Generation family business. • Father and Sons leadership roles clearly seen. • Able to see the evolution from a retail shop to manufacturing and bulk contract based supplier.
17. Regent Food Est: 1981 2 nd Generation Small Scale SME	Ready to Eat Products (Peas and Nuts Manufacturer with Different Flavors)	Kampung Baru Industrial Estate, Selangor State	<ul style="list-style-type: none"> • Best Peas and Nuts Products in the Asia Pacific Region 	<ul style="list-style-type: none"> • 2nd Generation family business. • Father and Sons leadership roles clearly seen. • Able to see the evolution from a small business supplier to mainly export trading.

Notes on abbreviations:

EST - Establishment

HACCP - Hazard analysis and critical control points

KLT - Kam Lun Tai

MITI - Ministry of International Trade and Industry

MNC - Multinational Corporations

OEM - Original Equipment Manufacturing

R&D - Research and Development

SMEs - Small and Medium Enterprises

TCM – Traditional Chinese Medicine

TPC - Teck Ping Chan

UAE - United Arab Emirates

UK - United Kingdom

WTO – World Trade Organization

3.2.4 Purposive Sampling and Quota Sampling

This study's research objectives like diversity and size, as indicated in Tables 3.3 and 3.4, determine how many people – and who – were selected for interviews. It should be noted that two of the most common sampling methods used in qualitative research, particularly in family business research, are purposive sampling and quota sampling. Purposive sampling is one of the most common sampling strategies in family business research, where groups participate based on preselected criteria relevant to a particular research question (for example, those Malaysian family-owned manufacturing enterprises that have been through one or more generational changes). From this sample base, second and third generation owners were interviewed.

The advantage of purposive sampling is that it allows the researcher to hone in on events when there are good grounds for believing that defining moments have shaped how an enterprise has evolved. This would allow the researcher to concentrate on instances which draw on the wide variety in development styles, possibly even to focus on extreme cases that determined the direction of the enterprise in order to provide insights to the research questions at hand. In this sense, this method is not only economical but also more informative in a way conventional probability sampling cannot be.

Quota sampling, sometimes considered a type of purposive sampling, was also employed. While designing this study, there was an attempt to determine how many people to include as participants within firms that had undergone a generational shift. The generational change characteristics considered important during this selection process include profile and organizational changes in terms of machines used, number of employees and professional managers, sales turnover and development of new products start. Other generational change characteristics considered important include differences in objectives, introduction of 3Ms and innovation capacity which contributed to enterprise development.

3.2.5 Design of Interview Guide

The design of the interview questions for this study was based on this researcher's initial review of the firms, its organizational structure, a historical analysis of innovation capacity, other factors that influenced an enterprise's development, and the firm's CEO's managerial capabilities, objectives and values. This information was obtained from a review of each firm's annual records. This study ensured that all selected companies for assessment had complied with the business registration requirements stipulated by the Companies Commission of Malaysia. The companies selected for assessment were food manufacturing family enterprises that have shown great potential to sustain development, as well as create new products.

In addition, the questions posed during an interview were put through several minor amendments (such as the order of questions and rewording of questions), depending on who was being interviewed. The questions posed were based on feedback obtained from

each subsequent interview. The interviews of individuals within each family enterprise formed the main source of qualitative data in the current study.

The number and type of managers interviewed varied from one enterprise to another, largely because organizational structures varied. Compared to the smaller family enterprises, the larger family enterprises (>500 employees) tended to have active boards of directors and larger management teams with more well-defined organizational structures. The driving principle in the interview selection process was to interview the appropriate number and type of managers to ensure sufficient information was gathered. A few interviews were also conducted with individuals who worked closely with family enterprises, such as those who have provided them business advice.

3.2.6 Case Study Approach

There have been a number of researchers who have been calling for more in-depth qualitative case study research in order to advance theories involving family enterprises (Van Maanen, 1983; Desphande, 1983; Finch, 1986). Since enterprise development is viewed as a development process through time, there is a substantial need for enterprise development research to use history data the longitudinal case study approach where ‘the business history of a firm captures the development milestone from first to the current generation succession (Melin, 1992). In this regard, the development process of an enterprise needs to be examined in the context of its lifecycle, key success factors and strategy implementation methods (Andersen, 1993). Case study evidence is required to identify an organization’s capabilities in a business venture (Westhead and Cowling 1998). As mentioned earlier, researchers should adopt case-intensive methodologies when carrying

out research on family enterprises in order to understand the behaviour of these enterprises. This is particularly important when studying sensitive issues such as those that occur during a generational change (Litz, 1997).

Since the new economy offers a competitive advantage for firms with traditional productions than other family enterprises who explore new technology, how subsequent generations after the founder integrates new technology, processes and knowledge involving the 3Ms to create a robust competitive advantage for their business is extremely insightful. Many family firms rely on the next generation, particularly the second or third, to provide new expertise in promoting the 3Ms. A comparison between large, medium and small scale family SMEs in plastics and food manufacturing intending to achieve productive development of tacit knowledge from one generation to another in order to ensure enterprise development would provide insights. These insights help improve recognized theoretical constructs relating to family firm enterprise development.

CHAPTER 4

History of Manufacturing and Development of Tacit Knowledge in Malaysia

4.1 Introduction: Structural Transformation – from Agricultural to Manufacturing

Malaysia's economic development is categorized into seven stages according to the industrial strategies adopted by the government. The first stage was British colonial rule (1867-1957), largely limited to export of commodities such as rubber and tin. Post-Independence (1957-1969) was largely dominated by an import-substitution industrialization strategy (ISI). An export-oriented industrialization strategy (EOI) ran from 1970 until 1980, followed by the second round of ISI from 1981 to 1986. The fifth stage marked a return to EOI from 1987 till 1996. The Asian crisis and recovery period from 1997 to 2005 constitute the sixth and seventh stage. Structural transformation of the economy has been rapid and extensive. Malaysia has transformed from an agricultural and primary products producer to become increasingly industrialized in an expansive manufacturing base and services sector. Such structural transformation is clear in the relative positions of the primary, secondary and tertiary sectors over the past 25 years (see Table 4.1).

Table 4.1: Malaysia: Percentage contribution of different sectors to GDP, 1970-2010

	1970	1980	1990	1995	2000	2010
Primary *	44.3	33.9	28.1	20.5	15.50	15.4
Secondary**	18.3	24.9	30.0	36.5	40.6	29.9
Tertiary	37.4	41.2	41.9	43.0	43.9	57.6

Sources: Malaysia 1991:72; Malaysia 1996:52

* Includes agriculture and mining

** Includes manufacturing and construction

During industrialization, the GDP contribution of the primary sector (agriculture and mining) shrank sharply from 44.3 percent in 1970 to 20.5 percent in 1995 and declined further to 15.4 percent in 2010. Secondary and tertiary sectors expanded at the expense of the primary sector, mostly in the secondary sector (manufacturing and construction), increasing from 18.3 percent in 1970 to 36.5 percent in 1995 which is an increase of 18.2 percentage points. It increased further to 40.6 percent in 2000. The tertiary sector also expanded, though more slowly than the secondary sector, from 37.4 percent in 1970 to 43.0 per cent in 1995, and expanded tremendously to 57.6 percent in 2010. Between 1995 and 2000, Malaysia embarked on industrialization as a major goal of economic development. As a result, the manufacturing sector is the fastest growing sector and the dominant force in Malaysia's growth experience. This structural transformation has turned the country from an exporter of primary commodities into an exporter of high value-added manufactured products.

4.2 Manufacturing Firms before Independence (1917-1958)

Before Independence in 1957, foreign firms played a vital role, mainly in the agricultural and mining sectors. Tin and rubber were pillars of the economy. The government used the revenue to develop infrastructure for developing the manufacturing sector. With high economic growth, there was a demand for manufactured goods and foreign firms began subcontracting to Chinese entrepreneurs. There were positive spillover effects flowing from foreign firms to the local companies as they adopted foreign technology and accessed external markets. The colonial government mainly emphasized export-oriented raw materials production and British manufactured imports. As a result, the local industry was

largely confined to processing raw materials for export and producing certain items for local consumption (Jomo and Edward, 1993).

Development of the domestic industry occurred largely under laissez-faire conditions. The colonial government promoted manufacturing but without significant protection and only in rural areas, mainly for rubber rather than tin. Tin smelting, engineering, rubber, pineapple, copra oil, palm oil and other primary commodities formed the main planks of manufacturing until 1914. Output of foot wear, soles and heels, sheeting, rubber matting, rubber compounds, tubing, hose and miscellaneous products grew substantially in the 1950s. Manufacturing of foot wear and tyres in Malaysia grew substantially to enable expansion of exports in other consumer goods.

By 1957, Malaysia was exporting food, beverages and tobacco. Rising demand for housing boosted demand for cement and large-scale wood processing. DFI continued to be instrumental in nurturing the manufacturing sector. Positive spillover effects were benefiting local firms and the development of new market outlets in Malaysia. There was already a substantial level of technology spillover from foreign firms to the local firms. In addition to employee transfers, western firms subcontracted engineering and construction work to local Chinese firms, mostly family-owned enterprises (Alavi, 2002). Although the agriculture sector was important in Malaysia's development, it had not reached a "turning point" to provide a powerful stimulus to manufacturing through a supply of raw materials and source of effective demand (Drabble, 2000).

The decline in rubber prices and the anticipation of the inevitable exhaustion of tin deposits made diversification of the economy imperative (Jomo and Edwards, 1993). Independence in 1957 also marked a turning point for structural changes in the economy due to serious government intervention through various industrial policies to promote the industrial sector. By 1955, there were already signs of economic restructuring with a declining share of agriculture (Drabble, 2000).

4.3 Manufacturing Firms after Independence (1959-1970) - Import-Substituting

After independence, Malaysia embarked on an ISI strategy aimed at developing industries to produce goods that had been previously imported in a largely protected domestic market. The government pursued an industrial policy aimed at protecting local manufacturing firms and also provided incentives to attract foreign companies. Most foreign firms assembled products they had previously marketed. The fastest growing manufacturing industries were textiles, electrical machinery and motor vehicle assembly (Wheelwright, 1963). To promote newly established manufacturing enterprises or “pioneers”, the government enacted the Pioneer Industries (Relief from Income Tax) Ordinance of 1958 that granted, among other things, two year income tax exemption (Rasiah, 2003). These incentives attracted labour-intensive manufacturing industries for the domestic market (Ritchie, 2004). Tax concessions merely made the protection more valuable.

British investors increased their colonial market share, making full use of incentives especially after the introduction of the Tariff Advisory Board and the creation of the Federal Industrial Development Authority (FIDA). This later became the Malaysia Industrial

Development Authority (MIDA) and was aimed at spearheading the promotion and monitoring of manufacturing growth. Also relevant were the Investment Incentives Acts of 1963, 1966 and 1968. By 1968, manufacturing firms in Malaysia contributed to about one third of value-added products. In certain industries, for example textiles, petroleum products, metals and electrical goods, the proportion was three quarters or more (Drabble, 2000). This mostly led partnership or family-owned SMEs to base their businesses on value-added processing and manufacturing.

In response to the social tension of 1969, the government launched the New Economic Policy (NEP) in 1970. This coincided with the change in the direction of the industrial policy from ISI to EOI, a switch that gave fresh impetus to industrial growth (Jomo and Edwards, 1993). Manufacturing was considered a strategic sector for the eradication of poverty irrespective of race and for eliminating the identification of occupation with race and ownership of assets. By the early 1970s, government efforts to encourage export-oriented industries were fully enforced. Free Trade Zones (FTZs) and Licensed Manufacturing Warehouses (LMWs) were established to facilitate and encourage Malaysian manufacturing production for export using imported equipment and materials by targeting foreign firms. Existing infrastructure, political stability, a large trainable labour force, a responsive government and financial incentives were important factors leading to foreign firms relocating their operations in Malaysia with business partnerships involving local SMEs, particularly through supply chains and outsourcing. In the early 1970s, MIDA acted as a first contact for investors intending to set up projects in manufacturing and related support services sectors.

At a time when the semiconductor assembly boom in developing countries was reaching its peak and Singapore was trying to upgrade from labour-intensive assembly to more complex activities, MIDA spotted the opportunity and targeted electronic MNCs in the United States. MIDA purposefully targeted DFI in sectors that had the potential for growth such as electronics (Lall, 1995). The establishment of the Penang Development Corporation (PDC) in 1969 to coordinate growth in accordance with the state's master plan attracted eight pioneers who have been in Malaysia ever since. These firms include Clarion (M) Sdn Bhd, National Semiconductor Electronics Sdn Bhd, Robert Bosch (M) Sdn Bhd, Microsystems International (M) Sdn Bhd, Litronix (M) Sdn Bhd and ITT (M) Sdn Bhd. Their presence resulted in an influx of other multinationals from the United States, Europe, Australia and Japan (PDC, 1990). The state later enacted the Industrial Coordination Act (ICA) of 1976, giving the Ministry of Trade and Industry (MITI) complete power to direct and control the development of the industry, including powers to issue licenses to industries based on their compliance with NEP goals (Kuruvilla, 1995).

4.4 Manufacturing Firms during Industrialized Era (1971-1999) - Export Oriented

In addition to the ISI, the government encouraged private and direct foreign investment during the 1977 to 1980 period through policies emphasizing investment incentives, the development of infrastructure facilities, numerous taxes on labour and other incentives. Electronic and textile industries were specifically targeted and most of these foreign firms were labour intensive. Initial entry in the electronic industry involved manual assembly of semiconductors. It was followed after some time by similar assembly in audio and other

electric and electronic products. Foreign companies manufacturing for export were exempted from the ICA policies on Malay share ownership and labour laws that might have discouraged foreign investment. Unions were excluded from key industries and the export sector (Lall, 1995). This new stage saw the beginning of massive foreign investment in the electronics sector by companies from the United States and Japan (Kurivilla, 1995). By the end of the 1970s, foreign firms contributed a significant proportion of fixed assets, output and employment. Employment expansion was significant and absorbed labour surplus but mostly in low wage employment (Kanapathy, 2000, Siguaw, 2006). Export of manufactured goods was also limited to a narrow range of products and there was minimum development in the manufacturing sector (Lall, 1995). A regional concentration of industries caused large manufacturing plants to be concentrated in urban centers while smaller ones were pushed out (Jomo, 1993). These concerns caused the government to reconsider its development policy which ushered in the second round of ISI in Malaysia. In order to redress the problems of EOI in the 1970s, a second round of ISI based on heavy industries was launched. This strategy was aimed at diversifying the industrial structure through the development of more local linkages though the focus was on the promotion of small and medium enterprises owned by the Bumiputra community.

Dr. Mahathir Mohammed, who was then the minister in charge of industries, announced a heavy industries policy geared to achieving the twin objectives of accelerating industrial growth and improving economic conditions. The heavy industries targeted a national car project, motorcycle engine plants, iron and steel mills, cement factories, a petrol refining and a petrol chemical project, and a pulp and paper mill (Kanapathy, 2000). The government established the Heavy Industries Corporation of Malaysia (HICOM) in 1980, a

public sector company intended for partnership with foreign companies. These industries were expected to strengthen the foundation of the manufacturing sector by providing strong forward and backward linkages for the development of other industries (Athukorala and Menon, 1996). The ISI industrialization was modelled on South Korea's development, though Malaysia's "Look East Policy" was largely associated with the Japanese.

However, a subsequent shortage in skilled workers led to high wage premiums, dampening investment in skills intensive industries (World Bank, 1995). This led to the replacement of the NEP in 1990 with the New Development Policy (NDP) based on a more coherent and systematic analysis of the needs and capabilities of manufacturing activities. It addressed the weaknesses of the NEP by placing more emphasis on human capital development and the role of the private sector. The redistributive priorities of the NEP gave way to developmental priorities which included boosting the level of skills of the local workforce, advancing technology in both foreign and local firms and increasing the amount of local content in foreign-owned export manufacturing (Ritchie, 2004).

To improve the quantity and quality of local firms capable of supplying MNCs, MIDA launched the Vendor Development Program in which more technologically advanced firms, usually MNCs, were given incentives to mentor upgrading of processing among local vendors, which they facilitated through guaranteed contracts, a free interchange of engineers and product specification, loans with preferential terms from local banks and ongoing technical assistance from public research institutes such as the Malaysian Institute of Micro Electric Systems (MIMOS) and the Standard and Industrial Research Institute of Malaysia (SIRIM) (Ritchie, 2004).

In 1996, the government launched the Small and Medium Industries Development Corporation (SMIDEC) to promote the development of SMEs in the manufacturing sector through provision of advisory services, fiscal and financial assistance, infrastructural facilities, market accesses and so on. It involved skill upgrading programs all across Malaysia, indicating the government's recognition of SMEs. Internal and external challenges facing the industrial sector meant that past industrialization based on large-scale injection of capital to boost labour productivity were no longer viable and led to the introduction of the Second Industrial Master Plan (SIMP). The new focus was a cluster-based approach. Key strategic sectors were identified for development and incentives were given to multinationals using high technology and were willing to share with local firms.

4.5 Manufacturing Firms during the Competitive Era (2000-2010) - Knowledge Intensive

By 2000, the manufacturing sector had become the most important contributor in Malaysia but started to show signs of contraction. This is due to a loss of competitiveness caused by rising production costs arising from a tightening labour market and expansion of cheap exports from China, Vietnam and less developed countries. At the heart of the problem was the incapacity of Malaysian firms to make the transition to higher value-added activities (Giroud, 2003). More importantly, the government did not have a well-defined technology development policy focused on supporting technological development for local manufacturing firms. To address these weaknesses, the government launched the Third Industrial Master Plan (IMP3), outlining steps that would be taken from 2006-2020. This

was in line with Vision 2020, launched in 1991, in which Malaysia envisaged its transformation into a developed nation. The manufacturing sector was the main driver of industrialization and the government continued to apply selective policies targeting sectors for development while relying on foreign firms.

The key strategies of the IMP3 were to enhance Malaysia's position to sustain manufacturing and promote services as the main sector of growth, facilitate the development of knowledge intensive technologies and cultivate dynamism in human resource management (MITI, 2006). Foreign investors continued to find a capacity for Malaysia's manufacturing sector to develop and the country recorded an increment (38 percent) in approved DFIs amounting to RM45.9 billion in 2008, up from RM33.4 billion in 2007. In 2008, foreign investment in the electrical and electronic (E&E) industry totalled RM6.38 billion. This spurred semiconductor manufacturing, with plants established in Malaysia by ST Microelectronics, Dyson, AMD and Fairchild, late-comer investors in the country.

4.6 Innovation among Manufacturing Firms in Malaysia

A major large-scale study on innovation among manufacturing firms was done by Lee and Lee (2007). Drawing on a sample of 239 manufacturing firms from the National Innovation Survey-3 for the reference period 2000-2001 among smaller manufacturing firms, the probability of innovating declined with age and the sophistication of technology but increased with manufacturing firm size. Older firms of medium scale manufacturing enterprises were more likely to innovate, as were firms in highly concentrated markets. The

probability of innovation fell with public ownership and sophistication of the underlying technology. A survey by Ng and Thiruchelvam (2010) of manufacturing firms that were small or medium-sized found that innovation was negligible among micro firms. Most innovating manufacturing firms were export-dependent and younger in age. They found that the presence of science and engineering personnel was low, suggesting that it reflected the low level technology underlying this sector. Manufacturing firms relied on internal sources of funding and had little or no collaborative links with outside institutions.

Interestingly, the Investment Climate Survey 2⁹, as indicated in Table 4.2, presented the distribution of manufacturing firms by subsectors and type of innovation. Of the 821 manufacturing firms, nearly a quarter was made up of firms in food processing. Another 26 percent consisted of SMEs in rubber and plastics. About 47 percent of the 821 firms reported innovation activity of some kind (Table 4.2). Firms from two subsectors (food processing and rubber and plastic) accounted for nearly 56 percent of all firms engaged in the highest concentration of radical innovation that led to entirely new products and processes. Similarly, the largest proportion of incremental innovators that resulted in modifications of products or processes was found in rubber and plastic (31.7 percent) and food processing (21.1 percent). More detailed examination reveals that most manufacturing firms reported incremental rather than radical innovation (Table 4.3).

Food processing and rubber and plastics manufacturing showed higher, more radical and incremental innovation. Understanding how this manufacturing sector became more

⁹Investment Climate Survey 2 is gleaned from Malaysia SME-level data, a nationally representative survey of 821 manufacturing firms in different sectors, a collaborative effort undertaken by the Prime Minister's Department under Economic Planning Unit, the Malaysian Department of Statistics and the World Bank in 2007, with reference to the year 2006.

competitive using a shorter product cycle in highly concentrated markets and more innovation fulfils the aim of this study, namely describing family SMEs. Such SMEs are multi generational firms which have innovated and cultivated knowledge of market trends as well as resources to translate tacit knowledge into commercial and value-added products and services.

Table 4.2: Percentage of Portion by Manufacturing Subsector and Type of Innovation

Industrial Subsector	Non-Innovative (%)	Incremental Innovation (%)	Radical Innovation (%)	Total Firms	Percentage
Food Processing	24.4	21.1	27.8	202	24.6
Textiles	3.7	6.1	2.4	32	3.9
Garments	10.9	4.4	6.2	68	8.3
Wood Products	3.7	1.7	2.4	24	2.9
Chemical Products	5.6	10.6	7.2	58	7.1
Rubber and Plastic	22.7	31.7	27.8	213	25.9
Machinery and equipment	9.7	9.4	7.2	74	9.0
Electrical Machinery, Apparatus, Office, Accounting & Computing	2.1	1.1	3.8	19	2.3
Electronics (Equipment & Components)	3.9	3.3	3.4	30	3.7
Auto Parts, Motor Vehicles	2.6	3.3	3.4	24	2.9
Furniture	10.7	7.2	8.6	77	9.4
Total	100	100	100	821	100

Source: Productivity and Investment Climate Survey 2, 2007

Table 4.3: Types of Innovation among Manufacturing Firms

Types of Innovation	Innovation	Nos.	Per cent
Incremental Innovation	Product or process improvements in quality or cost	461	42.1
	Upgraded a product line	507	46.3
Radical Innovation	Developed a major new product line	286	26.1
	Filed patents/utility models or copyright protected materials	165	15.7

Source: Productivity and Investment Climate Survey 2, 2007

Tables 4.2 and 4.3 show that manufacturing firms EW engaged in incremental improvement of products and processes. Only slightly more than a quarter of manufacturing firms have developed new products. Although innovative activities were unexpectedly high, they are

confined to industries utilizing lower-level technologies. Most family SMEs in technology intensive industries supply parts built to predetermined specifications to MNCs, leaving little room for independent innovation. The next generation would commercialize tacit knowledge and break into new markets.

4.7 History of Family Firms and Management of Tacit Knowledge in Plastics Production

Evolution of family firms in manufacturing sectors occurred between 1929 and 1988. In the immediate post-colonial period, through a combination of infrastructure investments and fiscal incentives, MNCs were the primary beneficiaries of ISI policies. In the 1960s, DFI constituted 50 percent of total expenditure to invest in the manufacturing sector. The growing presence of MNCs created a domestic demand for value-added products, including an increased need for high quality parts, primarily to feed the rapidly burgeoning knowledge intensive industries. Tacit knowledge can be either embodied knowledge or knowledge generated through innovation, requiring patents or other proprietary protection.

These types of knowledge evolved differently. In food, tacit knowledge was retained but developed in new ways to create innovative food products. In the plastics sector, most of the firms did not retain and develop the founders' tacit knowledge. Plastics technology rapidly changed so building on the founders' tacit knowledge was difficult. Usually, the produced products are significantly different than the original. Exceptions are primarily in the PVC industrial products, housewares, brooms and brush sector plastics firms such as Bina Plastic, Cemerlang Raya and Lee Huat. The history of these companies will be deeply analyzed in this chapter. An in-depth study of eight other family firms in plastics production

will show that only a handful of them retained and developed the tacit knowledge of their founders.

Only after the government introduced its EOI growth model in the mid-1960s did the number of plastic manufacturing SMEs rise, primarily by catering to MNCs. This can be vividly seen in Table 4.4, which draws attention to a crucial point: the growing number of family members involved in running an enterprise across generations is an indication of the importance of the incorporation of members of new generations into the SMEs. Tables 4.5 show how family firms have evolved over time in terms of tacit knowledge transformation. This has shaped the family tree and impacted the organization of the 11 plastics SMEs based on their size, determined in terms of number of employees¹⁰. Tables 4.4 and 4.5 reveal a high number of new plastic products produced across generations by increasing capital investment to promote R&D in order to improve the quality and range of their products, supported by interviews with executives¹¹. In most cases, tacit knowledge became irrelevant because of the rate at which technology changes led to technology transfer through business intelligence, collaboration and distributed learning.

The majority of family SMEs in plastic manufacturing started with humble beginnings, producing plastic product for household use, and later developed into sophisticated manufacturing facilities producing a range of high precision and plastic injection mouldings around 1960-1970 due to the higher market demand for the audio and electronics products

¹⁰ SMEs with more than 150 employees were classified as medium and large-scale enterprises.

¹¹ Interviews were conducted with senior management or family members of plastics production firms. Lam Seng mentioned the growth in number of equipment and that it had managed to turn into high technology moulding (interview on 5.8.2011, 6-7pm). Lee Huat mentioned the growth in the number of its subsidiaries, established to cater to international MNCs by establishing sales office to promote LH innovative housewares (interview on 7.9.2011, 8-9pm).

(see Figure 4.1). Based on Figure 11, most of the SMEs (9 out of 11 cases) are second generation firms, primarily involved in high precision plastic injection (4 out of 11 cases supplying parts to semiconductor, electronic and mechanical), plastic injection moulding (3 out of 11 cases supplying parts to medical, construction and engineering)) and plastic houseware (2 out of 11 cases cleaning products and office wares). These family SMEs in plastics production mainly contributed to higher exports since the boom of the semiconductor industry that promoted Malaysia towards becoming knowledge based country. The engineering plastics were mainly used for the production of parts and components for the electronic and electrical, automotive, medical equipment and construction industries. Plastic houseware production (2 out of 11 cases) is clearly seen during third generations since household products were commonly seen in the late 50s and 60s and there had been strong market demand on plastic housewares (see Figure 4.1).

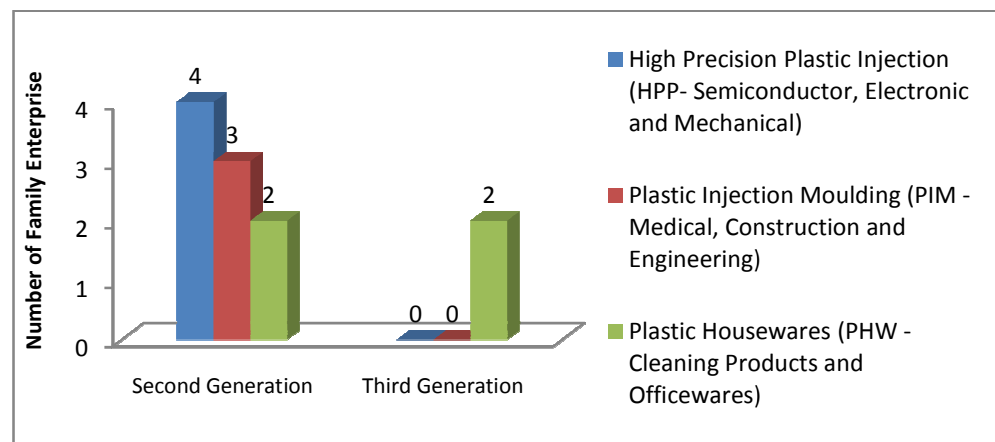






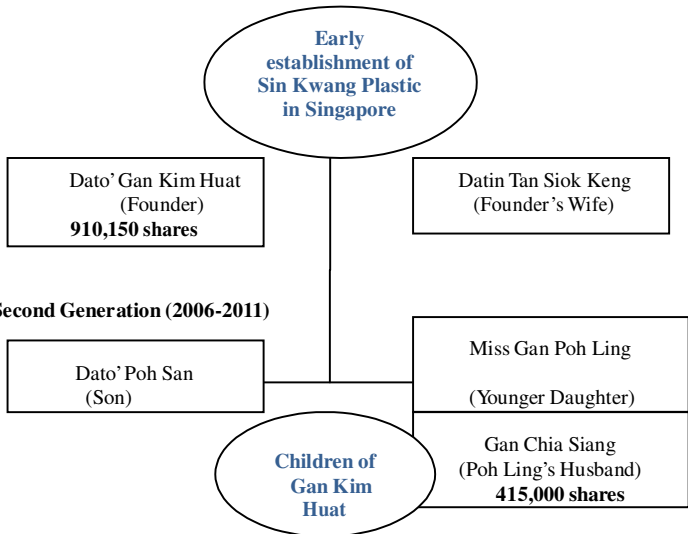
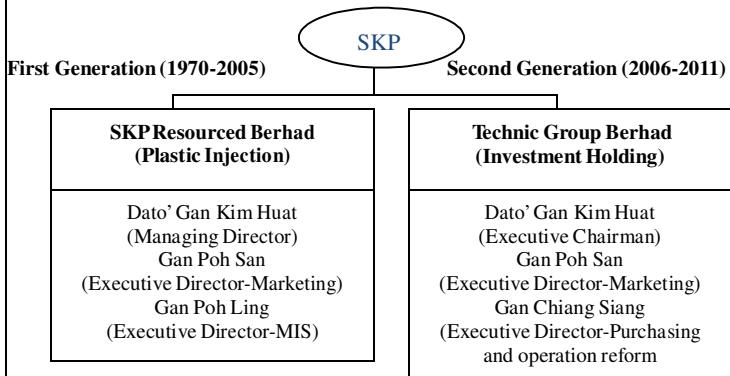
Figure 4.1: Business nature of family SMEs in plastic production across generations





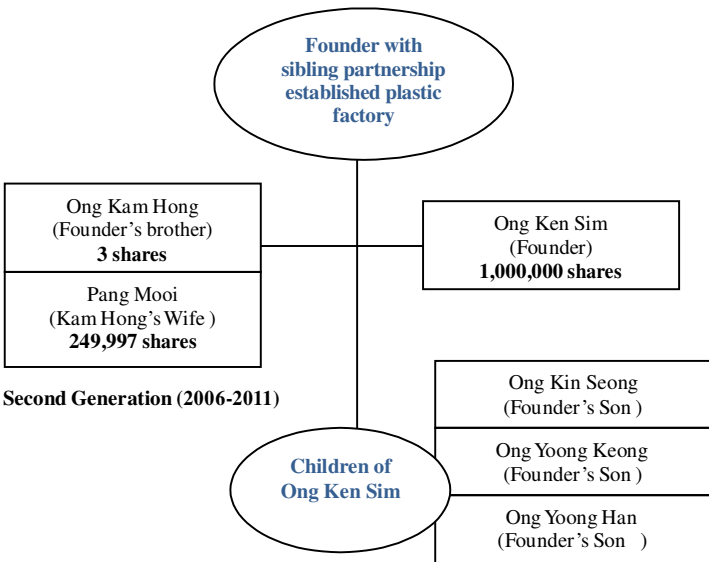
Table 4.4: Profile and Organization Changes in Family SMEs in Plastics Manufacturing across Generations






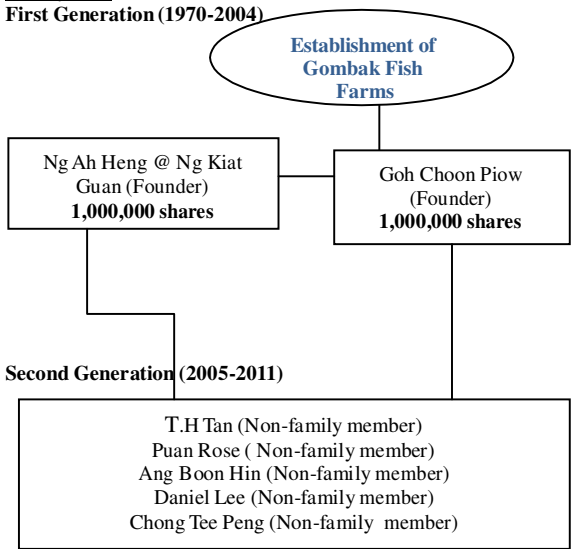
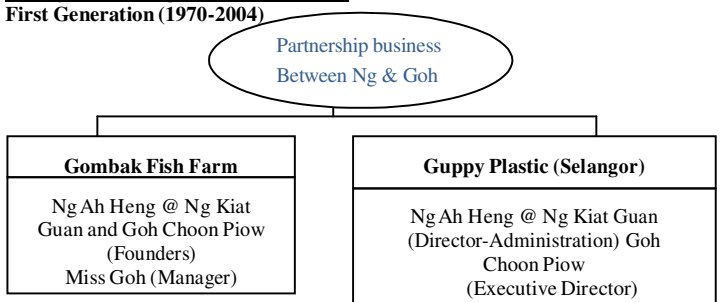
Plastic Enterprises/ Business Nature	Year incorporated / Generation	Annual Sales (RM million)	Number of Employees	Number of Family Members	Number of Managers	Number of Subsidiaries	Number of Equipment	Number of New Products
1. SKP Resources (Plastic Injection)	1974 2 nd	10-255	100-2000	3-90	5-50	1-6	7-200	+150
2. Bina Plastic (PVC Pipe)	1980 2 nd	8-172	100-500	2-80	3-12	1-2	2-50	+120
3. Guppy Plastic (Aquarium & Plastic Injection)	1970 2 nd	5-115	50-700	3-40	5-40	1-5	3-100	+130
4. Chang Huat (Plastic Injection)	1988 2 nd	5-86	50-400	2-30	4-40	1-6	4-150	+90
5. Lee Huat (Housewares)	1947 3 rd	2-58	20-600	3-20	3-10	1-4	3-80	+110
6. Polynic (Plastic Injection)	1977 2 nd	5-55	15-60	3-10	2-8	1-2	2-25	+70
7. Lam Seng (Container & Plastic Injection)	1967 2 nd	5-45	20-330	2-10	2-20	1-7	4-110	+90
8. Kemajuan (Carrier Tape)	1973 2 nd	2-38	20-110	2-20	3-10	1-3	3-50	+50
9. Yew Lee (Broom & Brush)	1970 2 nd	2-18	5- 70	2-10	2-6	1-2	3-20	+80
10. CemerlangRaya (Broom & Brush)	1987 2 nd	1-5	5-100	2-10	2-5	None	3-10	+48
11. Sweetco (PVC Canvas)	1929 3 rd	0.5-1.5	30-50	2-8	1-5	1-4	5-10	+20





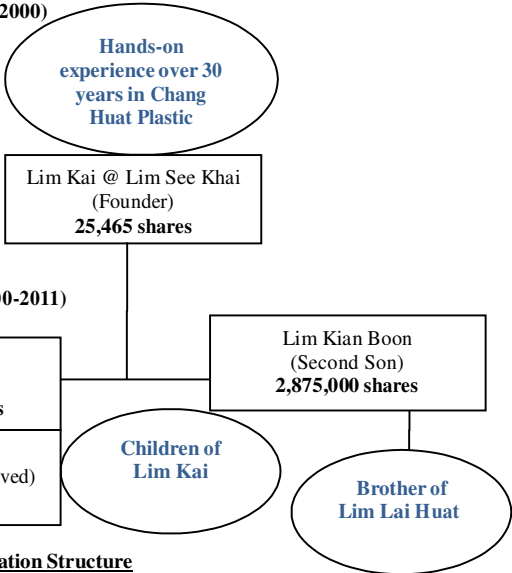
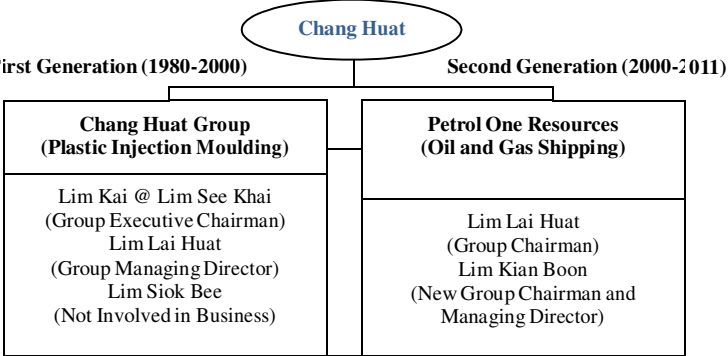
Source: Annual Company Records from Companies Commission of Malaysia (SSM).

Table 4.5: Brief History and Tacit Knowledge Transformation in Plastic Production

Business Nature	Establishment	Brief History, Family Tree and Family Role in Plastic Production
<p>1.SKP Resources (Large Scale Enterprise) (High Precision Plastic Injection) (Plastic Injection)</p> <p>Product Manufacturer First Generation (1970-2005)</p> <p>Customized household molding producer</p>  <p>Industrial engineering plastic parts and accessories</p>  <p>Second Generation (2005-2011)</p> <p>Longest vendor supplier for television frame and audio visual parts for Sharp, Audio Pioneer, Hewlett Packard</p>  <p>Miscellaneous cases for industrial engineering and multimedia devices compliance with Japan and USA standard</p> 	<p>1974-2011 (2nd Generation)</p>	<p>Brief History</p> <ul style="list-style-type: none"> -Started as plastic injection workshop in Singapore in the 1960s. -Mostly received orders to manufacture plastic household products. -Moved from Singapore to Johor and renamed Vital Conglomerate Sdn Bhd (12.12. 2000). -Promoted contract manufacturing with local MNCs involved in precision mould making and sub-assembly of electronic and electrical equipments. -Converted to Vital Conglomerate Berhad and then to SKP Resources Berhad (2002) and appointed as longest vendor service to Audio Pioneer Visual (2000). -Assigned Gan Chia Siang, son in law to manage Technic group Berhad. -Granted License Manufacturing Warehouse (LMW) (2006) and involved in AFTA (2008) to grab better business opportunities during the second generation leadership. -Knowledge transferred from workshop experience to MNC contract manufacturer and is sustainable in industry diversification (Automobile & Industrial Packaging). <p>Family Tree First Generation (1970-2005)</p>  <p>Family Role in Organization Structure</p> 

<p>2. Bina Plastic (Medium Scale Enterprise) (Plastic Injection Molding) (PVC Pipe)</p> <p>Product Manufacturer First Generation (1980-2005)</p> <p>Plastic piping and parts manufacturer for commercial</p>  <p>BBB (Bina approved) PVC Piping distributor with SIRIM Certification</p>  <p>Second Generation (2006-2011)</p> <p>BBB trademark of plastic piping system and fittings</p>  <p>Piping system and solution for different industries such as telecommunications</p> 	<p>1980-2011 (2nd Generation)</p>	<p>Brief History</p> <ul style="list-style-type: none">-Started as PVC piping factory warehouse in Malaysia (Selangor) in 1980.-Founder as the first mover to produce the PVC Piping system approved by SIRIM (Standard Institutions of Malaysia) targeted retail shop or construction (1985).-BBB PVC Piping system implemented in water treatment and Bina started to enforce strong business networking with local government (1990-1998).-PVC Piping system has been upgraded to UPVC Piping system (1980), HDPE Polypipe system (1990) and ABS piping system (2000) align with Malaysian Standard since PVC Piping has been found to contain some hazardous material.-During the second generation leadership, Ong Yoong Keong and Ong Yoong Han were involved in production R & D to upgrade the piping knowledge to be used in various industries such as telecommunications, electronics, food and beverage.-Knowledge upgraded from PVC piping to Malaysia SIRIM approved plastic piping system and to fit the piping system industry. <p>Family Tree First Generation (1980-2005)</p>  <p>Second Generation (2006-2011)</p> <p>Family Role in Organization Structure</p> <p>First Generation (1980-2005) Bina Second Generation (2006-2011)</p> <table><tr><th>Bina Plastic Industries (PVC Piping Manufacturer)</th><th>Bina Plastic Group of Companies (Plastic Piping System Solution)</th></tr><tr><td>Ong Ken Sim (Main Managing Director)</td><td>Ong Kin Seong (Director-Sales & Marketing)</td></tr><tr><td>Ong Kam Hong (Director)</td><td>Ong Yoong Keong (Production Engineer)</td></tr><tr><td>Pang Mooi (Director-Administration)</td><td>Ong Yoong Han (Production Engineer)</td></tr></table>	Bina Plastic Industries (PVC Piping Manufacturer)	Bina Plastic Group of Companies (Plastic Piping System Solution)	Ong Ken Sim (Main Managing Director)	Ong Kin Seong (Director-Sales & Marketing)	Ong Kam Hong (Director)	Ong Yoong Keong (Production Engineer)	Pang Mooi (Director-Administration)	Ong Yoong Han (Production Engineer)
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Ong Kam Hong (Director)	Ong Yoong Keong (Production Engineer)									
Pang Mooi (Director-Administration)	Ong Yoong Han (Production Engineer)									

<p>3. Guppy Plastic (Medium Scale Enterprise) (Plastic Injection Molding) (Aquarium& Plastic Injection)</p> <p>Product Manufacturer First Generation (1970-2004)</p> <p>Plastic aquarium tanks and equipment farm for fish rearing</p>  <p>Plastic household production under Guppy trademark</p>  <p>Product Manufacturer First Generation (2005-2011)</p> <p>Guppy Penang – Semiconductor and electronic components</p>  <p>Guppy China – Disposable wares for fast food restaurant chains</p>  <p>Guppy US – Pet and medical products for hospital and clinic</p> 	<p>1970-2011 (2nd Generation)</p> <p>Brief History</p> <ul style="list-style-type: none">-Started as Gombak fish farm in Malaysia (Selangor) in 1965.-Both business partners, KG Ng and CP Goh were interested in fish rearing and turned their hobby into Guppy Plastic Production (1970)-Guppy Plastic moved from Jinjang building (1977-1983) dealing with plastic aquarium and household products, to Kepong building (1983-1988) dealing with plastic injection molding and Taman Ehsan building (1984-1988) dealt with plastic precision. Guppy moved to Selangor when they started receiving orders from MNCs.-Since second generation was not interested in joining Guppy Plastic, founder passed the succession role to a different manager from a different background. Guppy Plastic then ventured into Selangor plant -consumer and industrial products (1990), Penang plant - semiconductor and electronic product (1993), China plant -disposable wares (1996) and US office -medical products (2006).-Knowledge transformed from plastic aquarium manufacturing to plastic precision engineering and sustainable in plastic injection adapted to the latest technology <p>Family Tree First Generation (1970-2004)</p>  <p>Family Role in Organization Structure First Generation (1970-2004)</p>  <p>Second Generation (2005-2011)</p> <table><thead><tr><th>Guppy (Penang)</th><th>Guppy (China)</th><th>Guppy (US)</th></tr></thead><tbody><tr><td colspan="3">(Directors - 2nd Generation) TH Tan (Plant Manager from Penang)</td></tr><tr><td>Ang Boon Hin (Manager-Operation) Chong Tee Peng (Manager – Marketing)</td><td>Daniel Lee(Manager-Production) Puan Rose (Manager-Admin)</td><td></td></tr></tbody></table>	Guppy (Penang)	Guppy (China)	Guppy (US)	(Directors - 2 nd Generation) TH Tan (Plant Manager from Penang)			Ang Boon Hin (Manager-Operation) Chong Tee Peng (Manager – Marketing)	Daniel Lee(Manager-Production) Puan Rose (Manager-Admin)	
Guppy (Penang)	Guppy (China)	Guppy (US)								
(Directors - 2 nd Generation) TH Tan (Plant Manager from Penang)										
Ang Boon Hin (Manager-Operation) Chong Tee Peng (Manager – Marketing)	Daniel Lee(Manager-Production) Puan Rose (Manager-Admin)									

<p>4. Chang Huat (Large Scale Enterprise) (High Precision Plastic Injection) (Plastic Injection) (Oil and Gas)</p> <p>Product Manufacturer First Generation (1980-2000)</p> <p>UV Coating plastic parts production for mobile and audio visuals</p>  <p>Laser etching for automated instruments assembly job with specific mechanism</p>  <p>Second Generation (2000-2011)</p> <p>Bunkering service for oil and gas shipping and forwarding</p>  <p>Floating storage and offloading service targeted marine port Tanjung Pelepas and Pasir Gudang Port.</p> 	<p>1988-2011 (2nd Generation)</p>	<p>Brief History</p> <ul style="list-style-type: none"> -Started as hands-on plastic injection training in Malaysia (Johor) in 1980. -Set up Heng Huat Plastic Industries in Singapore (1986). -Chang Huat Group Berhad established (1995). -Setup Chang Huat Industries (Rayong) in Thailand focused on MNCs for orders. -Acquisition 63% of interest in Arus Dermage Sdn Bhd. -Entire interest was disposed to Heng Huat Plastic (S) Pte. Ltd (2008). -Fuel Storage Contract with Coastal Oil Limited Private Limited and Noble Clean Fuels Limited (2009). -Disposal of the entire equity interest in Chang Huat Plastic Industries (Senai) and Chang Huat Plastic Industries sold to Lim Chung Kiat and Wong Kong San (2010). -Acquisition remained 37% equity interest of Arus Dermage Sdn Bhd in late (2010). -Transformation of its core direction to Oil & Gas and changed to Petrol One Resources from (2011-2012) lead by Lim Kian Boon. -Knowledge learned from plastic injection hand on experience to plastic injection molding expert and sustainable transformation in oil and gas service industry. <p>Family Tree First Generation (1980-2000)</p>  <p>Second Generation (2000-2011)</p> <p>Family Role in Organization Structure</p> 
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5. Lee Huat Plastic
(Medium Scale Enterprise)
(Housewares)

Housewares)

Product Manufacturer
First Generation (1947-1969)

Bicycle stands and parts later
upgraded into drawer fittings



Simple plastic housewares
production with dishes, spoon and
cup



Second Generation(1969-2001)

Full range of “Tupperware”
trend of plastic housewares



Appointed as Rubbermaid bottles
manufacturer in Malaysia



Third Generation (2001-2011)

Creative with customized
design of bathroom fittings



Customized design of
innovative desk wares from
different countries



1947-2011
(3rd Generation)

Brief History

- Started as bicycle stands workshop in Malaysia (Kuala Lumpur) around 1947-1969.
- Tony Chen takes over the family business (1969) in Kepong.
- Manufactured plastic houseware and received customization orders from local MNCs.
- Appointed as the main supplier to produce innovative plastic wares as souvenir, households or premium targeted Rubbermaid, Nestle, Milo and Glaxo Smith Klene (1980-1990) with the booming of “Tupperware” trend.
- New factory facilities in Shah Alam (2002) upgraded to produce high quality housewares (2007) under 3rd generation CEO, Callum Chen’s leadership and established Clover design and Halo + Agency as the consultative enterprise (2008).
- Knowledge utilized from bicycle stands producer to plastic furniture wares and innovative plastic wares and promotes design capabilities.

Family Tree

First Generation (1947-1969)

Establishment
of bicycle stands
manufacturer

Chen Kow Fatt
(Founder)
Passed Away

Second Generation (1969-2001)

Tony Chen Kwok Ming
(Elder Son)
1,353,904 shares

Son of Chen
Kow Fatt

Third Generation (2001-2011)

Callum Chen Kok Seng
(Elder Son)
1,353,904 shares

Chen Kok Hwa
(2nd Son)
942,674 shares

Chen Kok Leong
(3rd Son)
1,183,518 shares

Clement Chen
(Yonger Son)
Carlyn Chen
(Elder Daughter)

Children of
Tony Chen

Children of
Callum Chen

Family Role in Organization Structure

Second Generation (1969-2001)

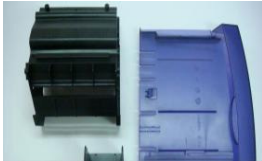



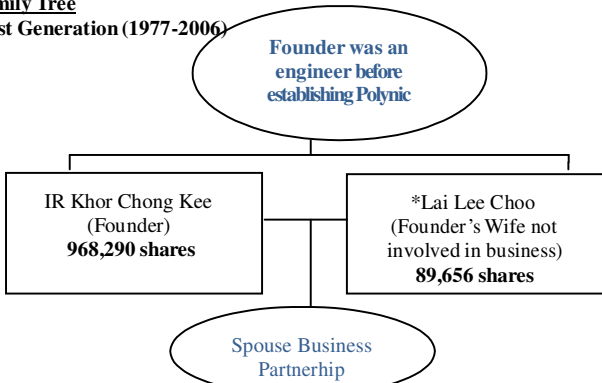
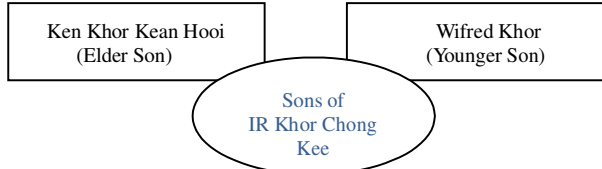
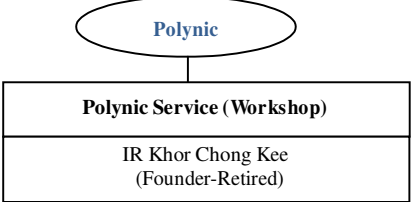
Lee Huat






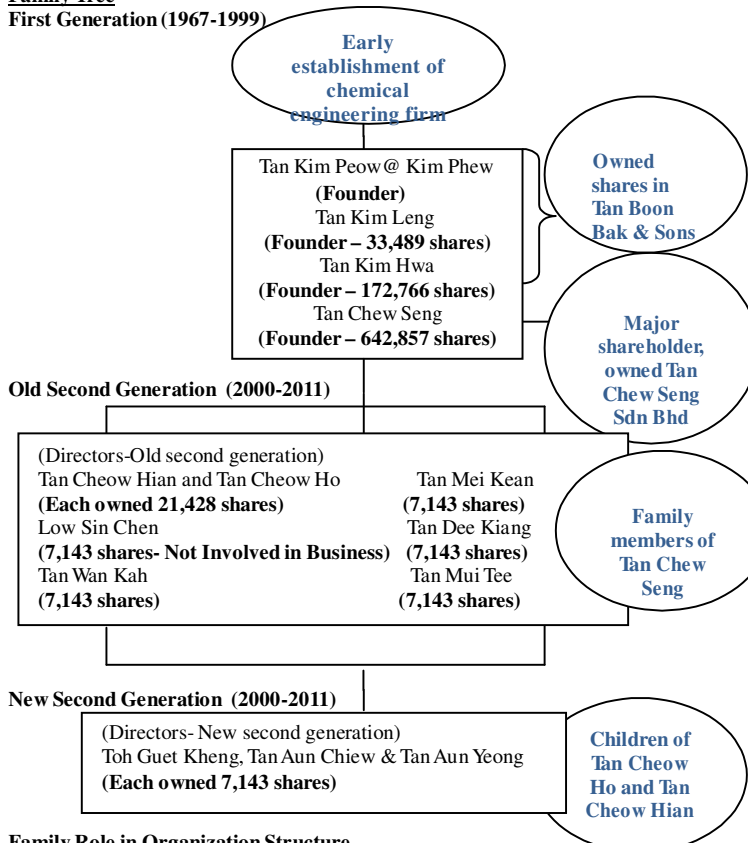
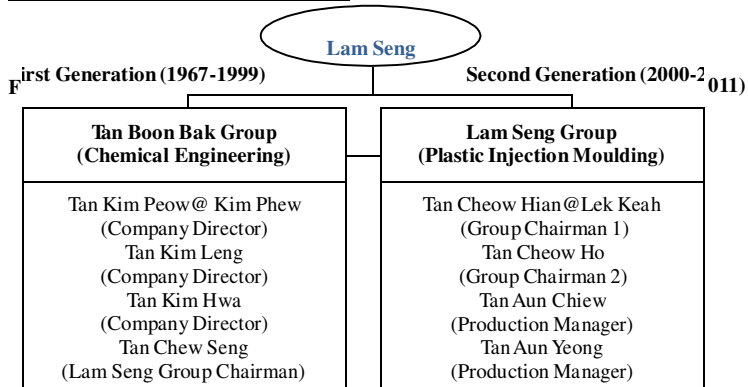
Third Generation (2001-2011)

Lee Huat Plastic Industries (Plastic Housewares)	LH Plus Sdn Bhd (LH Plastic Products)
Tony Chen Kwok Ming (Director-2 nd Generation)	(Director-3 rd Generation) Callum Chen Kok Seng (Director- Management) Chen Kok Hwa (Director-Marketing) Chen Kok Leong (Director-Manufacturing)

Fourth Generation (Upcoming)

Clover Design (Premium and Gift)	Halo + Agency Sdn Bhd (Design Enterprise)
Caryn Chen- 4 th Generation (Sales and Marketing Manager)	Clement Chen- 4 th Generation (Product Development Manager)

<p>6.Polynic (Small Scale Enterprise) (High Precision Plastic Injection) (Plastic Injection)</p> <p>Product Manufacturer First Generation (1977-2006)</p> <p>Conductive paper feeder parts for writing instruments</p>  <p>Paper tray parts and accessories for printer, fax and photocopy</p>  <p>Second Generation (2007-2011)</p> <p>New product of Surveillance sensor with wire assembly</p>  <p>Energy saving spotlight system with wire assembly</p> 	<p>1977-2011 (2nd Generation)</p>	<p>Brief History</p> <ul style="list-style-type: none">-Started as plastic injection service operator in Malaysia (Penang) in 1977.-Founder was an engineer and achieved Underwriters Laboratories (UL) (1978).-Started to develop own manufacturing plant including sub-assembly plastic injection based on single MNC's requirement in writing instrument area.-Started to receive orders from local MNCs, particularly worked on writing instrument such as printer casing, fax machine and photocopy machine parts (1979-1988).-Customer design experience were gained from the local MNCs such as Epson, AMD Sony and Yosogo and ventured into semiconductor industry (1990).-Under the second generation leadership, the primary and secondary part of the processing done in Polynic and later sent to Hanshing Industries lead by another family member to perform wire hardness and assembly process.-Second generation started to explore opportunities in renewable energy from the idea of ink saver printer machine through virtual R & D (2007).-Knowledge gained from plastic molding service to precision plastic manufacturing and sustainable in renewable energy plastic. <p>Family Tree First Generation (1977-2006)</p>  <p>Second Generation (2007-2011)</p>  <p>Family Role in Organization Structure First Generation (1977-2006)</p>  <p>Second Generation (2007-2011)</p> <table><tr><td>Polynic Industries Sdn Bhd (Plastic Technology Solution)</td><td>Hanshing Industries (Wire Assembly)</td></tr><tr><td>Khor Ken Hooi (Director-CEO) (2nd Generation)</td><td>Wilfred Khor (Director-CEO) (2nd Generation)</td></tr></table>	Polynic Industries Sdn Bhd (Plastic Technology Solution)	Hanshing Industries (Wire Assembly)	Khor Ken Hooi (Director-CEO) (2 nd Generation)	Wilfred Khor (Director-CEO) (2 nd Generation)
Polynic Industries Sdn Bhd (Plastic Technology Solution)	Hanshing Industries (Wire Assembly)					
Khor Ken Hooi (Director-CEO) (2 nd Generation)	Wilfred Khor (Director-CEO) (2 nd Generation)					

<p>7. Lam Seng (Medium Scale Enterprise) (Plastic Injection Molding) (Container& Plastic Injection)</p> <p>Product Manufacturer First Generation (1967-1990)</p> <p>Industrial container marketed under Winner brand</p>  <p>Household container marketed under Winner brand</p>  <p>Old Second Generation (2000-2011)</p> <p>OEM manufacturing for lotion and face soap container</p>  <p>OEM manufacturing and printing labelling</p>  <p>New Second Generation (2000-2011)</p> <p>OEM manufacturing for export trading in light and heavy industry</p> 	<p>1967-2011 (2nd Generation)</p> <p>Brief History</p> <ul style="list-style-type: none">-Started as a plastic container manufacturer in Malaysia (Selangor) in 1967.-Founders were from Tan Boon Bak group who were involved in chemical engineering.-Established plastic manufacturing plant in Petaling Jaya and later established Winner Plastic Industries to produce Winner brand plastic products (1970).-The company ventured into Star Plastic (toothbrush manufacturer) (1980) with automated plastic system -OEM automatic process (1980-1990).-The group later expanded their business into precision and high technology industry such as LSP precision (1995), Eurollence industry (2000) and PT Eurollence (2002) (Indonesia) when second generation took over the business. <p>The products split into light industry (household and consumer products) and heavy industry (automated and electronic parts) to export overseas such as Europe, USA and UAE countries solely depend on OEM production.</p> <p>-Knowledge nurtured from plastic container making to high technology industry and sustain in OEM manufacturing.</p> <p>Family Tree First Generation (1967-1999)</p>  <p>Old Second Generation (2000-2011)</p> <table><tr><td>(Directors-Old second generation)</td><td></td></tr><tr><td>Tan Cheow Hian and Tan Cheow Ho (Each owned 21,428 shares)</td><td>Tan Mei Kean (7,143 shares)</td></tr><tr><td>Low Sin Chen (7,143 shares- Not Involved in Business)</td><td>Tan Dee Kiang (7,143 shares)</td></tr><tr><td>Tan Wan Kah (7,143 shares)</td><td>Tan Mui Tee (7,143 shares)</td></tr></table> <p>New Second Generation (2000-2011)</p> <table><tr><td>(Directors- New second generation)</td></tr><tr><td>Toh Guet Kheng, Tan Aun Chiew & Tan Aun Yeong (Each owned 7,143 shares)</td></tr></table> <p>Family Role in Organization Structure</p> 	(Directors-Old second generation)		Tan Cheow Hian and Tan Cheow Ho (Each owned 21,428 shares)	Tan Mei Kean (7,143 shares)	Low Sin Chen (7,143 shares- Not Involved in Business)	Tan Dee Kiang (7,143 shares)	Tan Wan Kah (7,143 shares)	Tan Mui Tee (7,143 shares)	(Directors- New second generation)	Toh Guet Kheng, Tan Aun Chiew & Tan Aun Yeong (Each owned 7,143 shares)
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(Directors- New second generation)											
Toh Guet Kheng, Tan Aun Chiew & Tan Aun Yeong (Each owned 7,143 shares)											

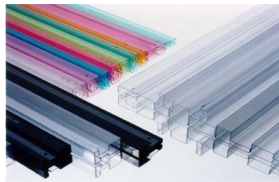
8. Kemajuan
(Medium Scale Enterprise)
(High Precision Plastic Injection)
(Carrier Tape)

Product Manufacturer
First Generation (1973-2000)

Steel fabrication targeted local MNCs



Shipping plastic tubes packaging to the MNCs in electronic industry



Second Generation (2001-2011)

Produced carrier tapes compliance with international standard



Welded and ultrasonic on customized plastic reel



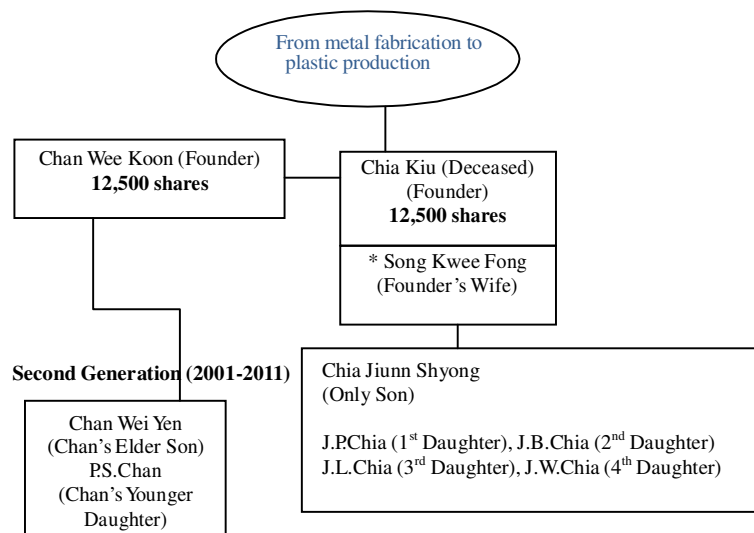
1973-2011
(2nd Generation)

Brief History

- Started as metal fabrication and contract's firm in Malaysia (Jinjang) in 1973.
- Both partnership founders were involved in metal fabrication and supplied stainless steel cabinet and equipment to local electronic MNCs (1973-1982).
- Acquired knowledge from Korean plastic manufacturer and produced plastic packaging to store electronic devices distributed to local MNCs (1987).
- Provided OEM capabilities and built up networking targeted at local MNCs in electronics sector (Toshiba, Epson, Mohita, Hitachi and Sanyo) (1989-1997).
- Established overseas manufacturing plant in Thailand and Casablanca prompt delivery distributed the international MNCs in the countries Just In Time (JIT).
- Ventured into semiconductor industry to Fairchild, Motorola and ST Microelectronic when second generation, Chia Jiunn Shyong (JS Chia) handled the family business with his education background in telecommunication engineering (1994).
- Sibling partnership between Chia and Chan family members to manage the family business with in house R & D specialization in carrier tape (2005).
- Knowledge specialized from metal fabrication supplier for MNCs to plastic packaging for electronic and sustain in carrier tape industry.

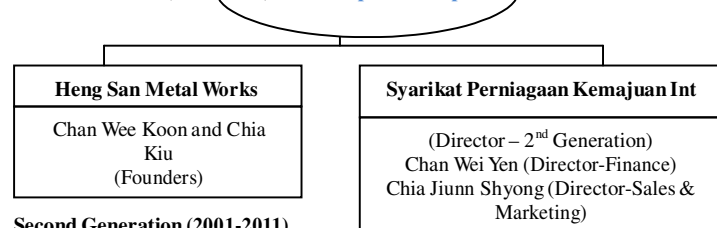
Family Tree

First Generation (1973-2000)








Family Role in Organization Structure





First Generation (1973-2000)







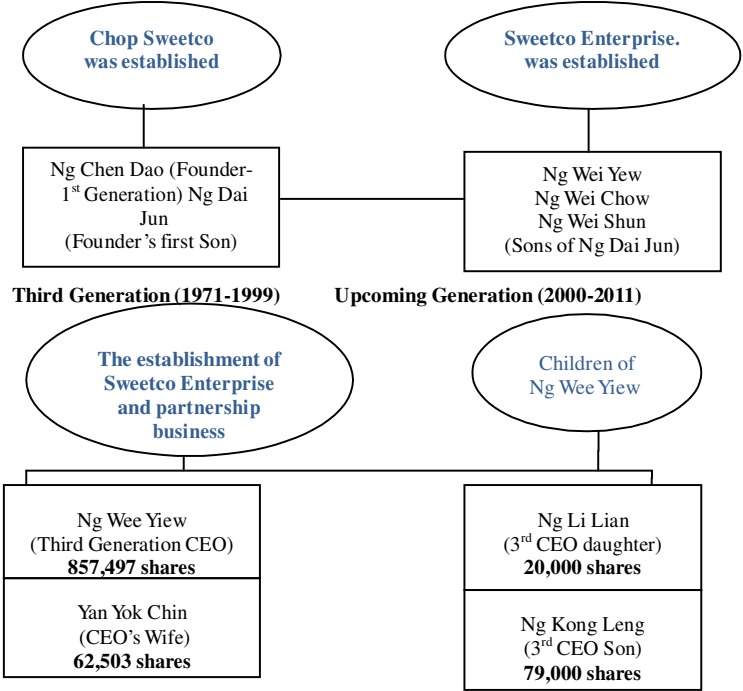
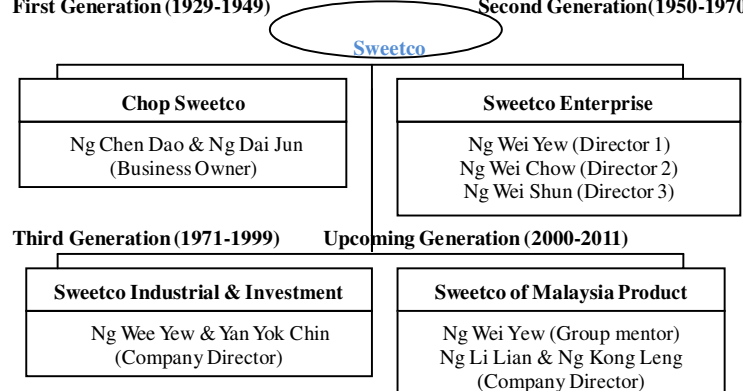


Second Generation (2001-2011)

Kemajuan (Thailand)	Kemajuan (Malaysia)	Kemajuan (Casablanca)
(Directors -2 nd Generation) PS.Chan, Chan Wei Yen (Manager – Accounting and Finance, Quality Assurance)		
J.P. Chia (Manager – Administration) J.L. Chia (Manager-Manufacturing)	J.W. Chia (Manager-R & D)	J.B. Chia (Manager-Purchasing)

<p>9. Yew Lee (Small Scale Enterprise) (Housewares) (Broom & Brush)</p> <p>Product Manufacturer First Generation (1970-2000)</p> <p>Plastic broom production mainly for household used</p>  <p>90% of feeding bottle brushes specially made for domestic market used</p>  <p>Industrial brushes production for electronic, food, rubber, plastic, wood & textile industry</p>  <p>Second Generation (2000-2001)</p> <p>Produced cleaning brushes for household and industrial</p>  <p>Produced personal care brushes for cosmetic and personal care</p> 	<p>1970-2011 (2nd Generation)</p> <p>Brief History</p> <ul style="list-style-type: none"> -Started as bean sprout family business in Malaysia (Rawang) during 1960-1970. -Founder realized the short shelf life of bean sprout business and acquired knowledge from broom expert. Started home based broom making as cottage industry (1970). -Founder got advice from Taiwan based plastic molding expert and acquired brush assembly technology from Germany (1980). -90% of feeding bottle brushes in Malaysia were made by Yew Lee Industrial (1982-1990) and constantly improved the manufacturing skills for electronics use (1992), rubber and plastic (1995), food and beverage (1997), wood and textile industries (2000) since different industry might adopted different technology in the production. -Career development and training implemented in 3Ms. Encouraged staff to enrol an MBA (Master of business and administration), industrial technology training and market screening when second generation took over the business (2000). -Yew Lee later focused their business on cleaning equipment, targeted at brushes and personal care products to provide customization. -Knowledge challenged from bean sprout business to traditional brooms production and sustained as Yew Lee brushes expert. <p>Family Tree First Generation (1970-1999)</p> <pre> graph TD A([Founder was started the broom making business]) --> B[Dato Tan Tian Teo (Founder) 750,000 shares] A --> C[Yong Pek Hian (Founder's Wife) 250,000 shares] B --- C B & C --- D([Husband and Wife Partnership]) D --> E[Tan Lay Koon (First Daughter)] D --> F[Tan Lay Peng (Second Daughter)] D --> G[Tan Lay Ting (Third Daughter)] E --- H([Daughters of Dato Tan Tian Teo]) F --- H G --- H </pre> <p>Second Generation (2000-2011)</p> <p>Family Role in Organization Structure First Generation (1970-1999)</p> <pre> graph TD A([Yew Lee]) --> B[Yew Lee Industrial (home based)] B --> C[Dato Tan Tian Teo and Yong Pek Hian (Founder and his wife)] C --> D[Second Generation (2000-2011)] D --> E[Yew Lee Industrial Brush (Industrial Brushes Expert)] D --> F[Clean & Beautiful (M) Sdn Bhd (Cleaning Equipments)] E --> G[Tan Lay Khoon (Company Director-Corporate Strategy)] E --> H[Tan Lay Peng (Company Director-Sales & Marketing)] F --> I[Tan Lay Ting (Director)] </pre> <p>Second Generation (2000-2011)</p> <table border="1"> <tr> <td> Yew Lee Industrial Brush (Industrial Brushes Expert) </td> <td> Clean & Beautiful (M) Sdn Bhd (Cleaning Equipments) </td> </tr> <tr> <td> Tan Lay Khoon (Company Director-Corporate Strategy) Tan Lay Peng (Company Director-Sales & Marketing) </td> <td> Tan Lay Ting (Director) </td> </tr> </table>	Yew Lee Industrial Brush (Industrial Brushes Expert)	Clean & Beautiful (M) Sdn Bhd (Cleaning Equipments)	Tan Lay Khoon (Company Director-Corporate Strategy) Tan Lay Peng (Company Director-Sales & Marketing)	Tan Lay Ting (Director)
Yew Lee Industrial Brush (Industrial Brushes Expert)	Clean & Beautiful (M) Sdn Bhd (Cleaning Equipments)				
Tan Lay Khoon (Company Director-Corporate Strategy) Tan Lay Peng (Company Director-Sales & Marketing)	Tan Lay Ting (Director)				

<p>10.Cemerlang Raya (Small Scale Enterprise) (Housewares) (Broom & Brush)</p> <p>Product Manufacturer First Generation (1987-2001)</p> <p>Started as family business hardware merchant named Tan Ban Seng</p>  <p>Broom production targeted for household used and distributed to the local hardware shops</p>  <p>Second Generation (2002-2011)</p> <p>Rayaco concept based cleaning agent production</p>  <p>Rayaco brand of industrial sponge and brushes production</p> 	<p>1987-2011 (2nd Generation)</p> <p>Brief History</p> <ul style="list-style-type: none"> -Started as hardware merchant in Malaysia (Kemping). -Founder was one of the directors and later opened broom factory (1987). -Founder manufactured broom products and distributed to major hardware shops. However, the factory was burned down because of old machine break down (1993). -Founder trained his relatives and family members to provide organization learning in machine upgrading and later moved to a new factory at Rawang (2000). -The founder brought his 3 children after their overseas studies and started to involve them in production and R & D to produce concept based cleaning agent (2002). -Second generation combined 3M cleaning concept to promote innovativeness thus coming out with Rayaco cleaning products. -Knowledge managed from Tan Ban Seng hardware to Cemerlang Raya plastic firm and sustain as concept based Rayaco Cleaning Agent. <p>Family Tree First Generation (1987-2001)</p> <pre> graph TD A([Partnership business between husband & wife]) --> B[Tan Kim Chuan (Founder) 20,000 shares] A --> C[Yap Yu Lian (Founder's Wife) 400,000 shares] B --> D[Low Boon Seng (Tan's Relative)] B --> E[Low Woon Kim (Tan's Relative)] D --> F([Low's brothers belong to founder Tan Kim Chuan's family]) C --> G[Yap Chee Keong (Yap's Brother)] G --> H([Yap Yu Lian with her brother]) </pre> <p>Second Generation (2002-2011)</p> <pre> graph TD I[Tan Jenn Kent (Tan's Elder Son) Tan Jenn Shyong (Tan's 2nd Son) Tan Jenn Uei (Tan's 3rd Son)] </pre> <p>Family Role in Organization Structure First Generation (1987-2001)</p> <pre> graph TD J([Cemerlang Raya]) --> K[Tan Ban Seng (M) Sdn Bhd Tan Kim Chuan (One of the director)] J --> L[Perusahaan Cemerlang Raya Directors-Founder Yap Yu Lian (Managing Director-Administration) Tan Kim Chuan (Director) Yap Chee Keong (Supervisor)] </pre> <p>Second Generation (2002-2011)</p> <pre> graph TD M[Perusahaan Cemerlang Raya Sdn Bhd Yap Yu Lian (Managing Director-Administration) Tan Kim Chuan (Director) Yap Chee Keong (Store Supervisor) Low Boon Seng (Factory Supervisor)] N[Rayaco Marketing (M) Sdn Bhd Tan Kim Chuan (Director) *Low Woon Kim (Director) Yap Yu Lian (Director) Tan Jenn Kent (Production and R&D) Tan Jenn Shyong (Export) Tan Jenn Uei (Marketing)] </pre>
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<p>11. Sweetco (Small Scale Enterprise) (Housewares) (PVC Canvas)</p> <p><u>Product Manufacturer</u> First Generation (1929-1949)</p> <p>Chop Sweetco dealt with imported sundry goods</p>  <p>Sole agent to distribute imported rubber tapper knives, shoes and sharpening stone</p>  <p>Second Generation (1950-1970)</p> <p>PE Canvas and plastic hand begs production</p>  <p>PVC stationery files production for file storage</p>  <p>Third Generation (1971-1999)</p> <p>From “Maslino” to “Ekonor” brand of PVC floor mats</p>  <p>Investment consultation service</p> 	<p>1929-2011 (3rd Generation)</p> <p><u>Brief History</u></p> <ul style="list-style-type: none"> -Started as imported goods merchant at Jalan Ampang (Kuala Lumpur) in 1929. -The founder’s ancestor came from China, Fujian established Chop Sweetco -After World War II, Chop Sweetco changed the business nature as sole agent to distribute European made products from Holland and England (1945-1949). -Sweetco Enterprise later ventured into European PVC floor mats main distributor (1949-1960) and Asian made PVC floor mats main distributor (1961-1970). -Set up another branch in Jalan Sultan, KL to deal with PVC canvas, plastic hand beg and stationery file in 1970 during the second generation. -Ng Wei Yew diversified into PE canvas manufacturer (1974), palm oil and rubber plantation (1978) and Maslino PVC floor mats (1983) in 3rd generation. -Sweetco later expanded and diversified into Sweetco marketing (1987), Sweetco Nominees (1988-1989) and produced Ekonor PVC floor mats (1989-1992). -However, Sweetco tends to remain small scale since the next generation is not interested in joining the family business. -Knowledge gained from merchant experience to plastic canvas production and sustained as Malaysia pioneer in plastic mats production. <p><u>Family Tree</u></p> <p>First Generation (1929-1949) Second Generation (1950-1970)</p>  <p>Third Generation (1971-1999) Upcoming Generation (2000-2011)</p> <p><u>Family Role in Organization Structure</u></p> <p>First Generation (1929-1949) Second Generation (1950-1970)</p>  <p>Third Generation (1971-1999) Upcoming Generation (2000-2011)</p>
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Changes in the product range by a number of these companies show transformation of tacit knowledge, contributing to higher growth in terms of annual sales and number of employees. Tables 4.4 and 4.5 also show that these family SMEs in plastics production were involved in sophisticated high technology molding to cater to a large population of MNCs in the semiconductor and electronics sectors with institutional support through the government's national entrepreneurial strategies. Family SMEs such as SKP Resources, Guppy Plastic, Chang Huat, Polynic and Kemajuan hope to reach world-class stature in export processing zones (EPZs), a mechanism to make the region attractive to skilled workers and managers¹². However, family SMEs established between the 1980s and 1990s ventured into the semiconductor, computer and electronic sectors because the booming semiconductor industry attracted many MNCs, particularly to major science cluster parks.

Most of the new generation of family plastics SMEs tend to be more open to new markets, implementing new ways of doing business, incorporating new partners and exploiting new markets. Certain family SMEs in plastics production aggressively acquired modern machinery, hired technically competent personnel or managers and encouraged family participation in the enterprise to improve product development. These factors contributed to a tremendous increase in annual sales volume¹³. This conforms to Prias' (1976) argument that economies of scale are not dependent on firm size, but on plant size. Piore (1984) provided further evidence to support this point based on the

¹²Sourced from United Nations Industrial Development Organizations (UNIDO) Industrial Development Report, 2009.

¹³ Bina Plastic, Lee Huat and Lam Seng were prone to encouraging younger educated family members, as well as their managers, to develop the tacit knowledge in their firms to develop trusted brand and new plastic design technologies.

example of small scale industries developed in continental Europe, arguing that small firms are capable of being more adaptive to market expectations as they are far more capable and better provisioned. Plastic injection SMEs producing parts and accessories for MNCs that required more equipment were more prone to such capital investment¹⁴ in order to diversify.

The houseware, broom and brushes manufacturing sectors, in particular, enforced knowledge transfer by establishing foreign partnerships aligned with the government's Look East policy. They were prone to establishing new branches and subsidiaries to promote R&D and develop tacit knowledge¹⁵. The next generation, equipped with high education, could foresee opportunities in introducing innovation to their primary products in order to develop export capacity.

Table 4.5 shows that the first generation in plastics production was strongly associated with closely-held equity ownership and control over decision-making. This business history approach indicates that the founders' heirs, after acquiring tertiary education, assumed the role of decision-makers regarding professional management and rebranding. Differences of managerial styles between generations influenced strategic planning that had a bearing on ownership, organization changes and product development. Such differences were particularly evident if the founder had not fully retired after he

¹⁴ SKP Resources, Polynic and Kemajuan were prone to investing in machine upgrading but they did increase the number of employees to diversify their products particularly in their core products.

¹⁵ Sweetco, Lee Huat and Cemerlang were prone to enforce foreign partnerships to expand their branches or sales office between Malaysia and other countries to promote R&D based on their primer products in first generation.

relinquished control to the second or third generation¹⁶. To deal with growing domestic and international competition, these family SMEs used product development and R&D to produce higher quality products such as PVC, houseware, brooms and brushes.

Table 4.5's in-depth studies indicate how generational change has shaped the family tree and roles in 11 plastic SMEs, factors which determine organizational structures as well as the number of products manufactured. Families have differing, varied strategies to achieve desired organizational outcomes. This change of leadership has bearing on managerial style with organizational reforms introduced to incorporate a professional management team and the adoption of a consultative decision-making style. The interviews made clear that second generation firm leaders, though keen to professionalize the management and introduce R&D to improve the quality of their products, were also more risk-averse about new ventures compared to the founders¹⁷. Managerial decision-making becomes more complex with the emergence of the third generation, given the growing number of family members or "cousin consortium" involved in the enterprise¹⁸. Minimizing conflict and maintaining harmony often resulted in delayed decision-making¹⁹.

Product comparison, linked to tacit knowledge transformation of these 11 plastic SMEs, reveals that the second generation was most crucial for the future development of these

¹⁶ In the third generation family firm, Sweetco Enterprise, the founder remained a primary decision-maker.

¹⁷ Ken Khor, Polynic Industries's CEO, JS Chia, Kemajuan's CEO and JS Tan, Cemerlang's CEO all indicated they were risk reverse.

¹⁸ Lee Huat Plastic and Sweetco, in third generation, had siblings and cousins involved in the 3Ms and convened more regularly board meetings.

¹⁹ Interview with forth generation (7.7.2011, 7-8pm), Carlyn Chen from Clover Design, Lee Huat Plastic subsidiary, in PJU Damansara, Malaysia.

family enterprises. Developing tacit knowledge and product diversification were important. In order to cope with technology changes and economic conditions, the next generation, particularly in plastic injection and high precision plastic engineering, codified their tacit knowledge. To do this, they built on knowledge from industry specifications received from MNCs for component parts. Inevitably, these products were different from those produced by the first generation.

Based on an in-depth study of these 11 family SMEs in plastics production, they survived based on: (a) refocusing on value-added and branded products; and (b) changing roles from middleman or wholesaler to MNC vendor-ship. Failures from their previous trial-and-error methods convinced the next generation to diversify into different forms of plastic production.

Like other local suppliers, family plastics SMEs faced difficulties in growth and development and experienced setbacks. They encountered difficulties upgrading their in-house design capabilities unless partnered with MNCs to venture into new areas of plastics production, a factor leading to a transfer of tacit knowledge. Examples include (a) Chang Huat's restructuring of the organization from plastic injection to bunkering service provider in oil and gas after partnering with MNCs from Singapore; (b) SKP Resources establishing Technic Group Berhad, venturing into automobile plastic molding to seek further opportunities in AFTA²⁰ and Iskandar Malaysia²¹; (c) Polynic partnering with Han Shing Industries to conduct virtual R&D in renewable energy after

²⁰ AFTA (Asean Free Trade Association), a trade bloc agreement by the Associations of Southeast Asian nations.

²¹ IM (Iskandar Malaysia), defined as Iskandar Development Region (IDR), is the main development corridor of the state of Johor.

cooperating with MNCs in the electronic sector; (d) Kemajuan reorganizing its corporate structure into subsidiaries based in Malaysia, Thailand and Casablanca to venture into plastic packaging in semiconductor sectors by cooperating with MNCs in these particular countries; (e) Guppy Plastic relying on professionals or outsiders to diversify their Guppy culture into various forms of production in plastic injection, medical equipments and fast food disposable wares.

Table 4.5 shows that most family members held high positions in the management and administration, suggesting that more autonomy was given to close relatives that have a strong relationship with the founder. Tacit knowledge was typically transferred through hands-on means and watching the founder's style of production. The next generation would introduce R&D in these production stages after becoming CEO. This development of tacit knowledge was based on experience working under senior staff and professional managers. As the businesses grew in complexity and global reach, the traditional style of aging patriarch founders was increasingly at odds with the professional management required for stiff competition and rapidly changing conditions. The founder's heirs, after tertiary education, became decision-makers and introduced professional management while refocusing on branded and value-added products to develop export capacity and trading skills.

In Table 4.5, only 5 out of 11 family SMEs in plastics production retained tacit knowledge in various aspects of product manufacturing, a majority of which were involved in plastic houseware production. Methods to exploit tacit knowledge included upgrading from low end production into high end technology design and services,

pursuing new ideas to secure global market opportunities and enhancing production knowledge for the creation of trusted brand products such as a BBB-approved piping system, Ekonor flooring technology, LH design housewares, Rayaco cleaning tools and Yew Lee brushes.

The distinction between founder-controlled firms and descendent-controlled firms was that the founder retained ownership and equity for full control over decision-making. The founder was less likely to produce new products due to the exorbitant costs involved following shifts in plastics technology while facing the difficulty of hiring technically competent personnel. In founder-controlled firms, there was an unwillingness to share knowledge and the owners always remained rigid and paternalistic about product development with a profit-oriented focus. In the next generation, certain plastic SMEs developed tacit knowledge by moving away from unsophisticated products in order to create trusted branded products such as BBB-approved plastic piping systems (Bina Plastic) and Ekonor flooring technology (Sweetco). Those two plastic SMEs' next generations studied industry specifications and paired them with their tacit knowledge. In the case of Bina Plastic, the next generation, Ong Yoon Keong and Ong Yoon Han, were assigned to convert normal plastic piping systems into BBB piping systems that met CE standards (European conformity)²². A move from BBB PVC piping system into various types of plastic piping systems and products, ranging from household to construction and telecommunication goods, showed a shift in tacit knowledge. Evolution from PVC to a UPVC piping system (1980), HDPE Polypipe system (1990), ABS piping

²²With CE marking on a product, the producer declares that the plastic product complies with the European Committee (EC) standards placed on the market in the European Economic Area.

system (2000) and finally to the current built-in piping system (2010) helped this firm replace outdated plastic piping solutions.

In Sweetco, third generation CEO Ng Wei Yew got his heirs, Ng Li Lian and Ng Kong Leng, involved. Sweetco evolved from a wholesaler or distributor of imported goods before the colonial era (1945-1949) to PVC industrial production, triggered by interest in production matters related to PVC bags and canvas from European countries (1961-1970). They had knowledge, nurtured by serving as sales agent for firms from different countries, but lacked the know how to produce Malaysian-made PVC products that were affordable and high quality. Since the government promoted the Look East policy around the 1980s, they decided to partner with foreign investors from Korea which led Sweetco to produce Maslino, an Italian technology used in PVC floor mats production. This endeavor was supported by the Perlis State Economic Development Corporation with the establishment of factories and warehouses in the state of Perlis. However, they had problems converting this tacit knowledge profitably. As a result, Ng Wei Yew helped build on their tacit knowledge by capitalizing earnings to determine which business ventures were expected to profit based on his educational background in finance management. This led the firm to emerge as one of Malaysia's most prominent firms with their trusted Ekonor brand floor mats. Both of these family SMEs have become trusted brands suited to Malaysian needs.

Table 4.5 indicates that knowledge was acquired after these firms established networks with suppliers and customers, helping them retain or even enhance their reputation. The next generation was more open to adopt new markets, attempting new ways of doing

business, identifying new partners and determining new methods to increase their reputation in the marketplace. Strengthening brand identity through novel plastic housewares, the next generation in Lee Huat, equipped with higher education, chose to upgrade their tacit knowledge. They moved from low end to high end knowledge-intensive plastic products. These features were particularly evident when Lee Huat transformed itself from a bicycle repair workshop into an export-based houseware production firm, building the prominent 'LH' brand. This ability was nurtured through experience and intelligent reading of the market. For example, the company was involved in global supply chains comprising MNCs such as Rubbermaid, Nestle and Glaxo Smith Kline (GSK). The next generation also tried to upgrade itself from a low end housewares production firm to a consultative plastic design centre²³. Caryn Chen and Clement Chen, (fourth generation CEO), supported by the Malaysia Plastic Manufacturers Association (MPMA) and the Malaysia Plastic Design Centre (MPDC), would promote plastic technology and venture into overseas markets.

In contrast, Lee Huat differed from other plastic SMEs as Lee Huat was very talented at combining the old instinctive, entrepreneurial management characteristics of the founder with a new modern professional approach in consultative OEM plastic production, primarily by inviting external professional management bodies. The next generation saw that old patterns of production were out-dated and were concerned that they had not developed knowledge of new plant techniques, recognizing the need for industry compliance with international standards and the provision for qualified human capital to

²³The consultative plastic design centre led to the development of the Clover design. Halo + Agency separated from Lee Huat Plastic, with the aim to develop tacit knowledge from housewares to housewares design services; this was done in collaboration with foreign partnership.

ensure employees kept abreast with new industry developments. When the business was passed on to the next generation, Lee Huat established subsidiaries focusing on developing different products from the founder's tacit knowledge.

Every organization worries about tacit knowledge and expertise retention. This becomes more acute as firms develop a growing professional management base where ideas about technology are shared and collaboration with other firms increase. However, certain plastic SMEs actively protected their tacit knowledge, keeping it hidden and unspoken. Sometimes the next generation is reluctant to divulge knowledge about the development of their products; this was evident during some of my interviews²⁴. This can be seen especially among brooms and brushes production firms such as Yew Lee and Cemerlang Raya. Tacit production knowledge was embodied in the founders and manifested in the quality of their products, though with limited design capabilities. The founders started out producing very basic broom and brush products and knowledge was shared only among family members. The founders depended on the next generation to upgrade their products. In most cases, their children were sent to study to help develop the quality of the products produced. The transformation of tacit knowledge was evident in attempts to incorporate new ideas to improve the quality, design and outlook of their broom and brush products. The next generation in Yew Lee and Cemerlang Raya endeavored to transform their firms' traditional knowledge of broom and brush production into the creation of internationally-recognized products.

²⁴Tan Jenn Shyong, export manager from Cemerlang Raya, and Tan Lay Ting, business development director from Yew Lee, informed me that we were not supposed to talk about brooms and brushes production since the founders wished to keep private their trade secrets.

Cemerlang Raya is a new concept-based enterprise with a reputation in cleaning tools production as well as a capacity to change designs promptly. The next generation overcame resistance to change by stressing the development of improvements in each production stage, as per their motto of “Together we clean better”. This helped them establish their brand product, Rayaco²⁵, also nurtured by actively targeting domestic and international markets. Yew Lee’s next generation focused on R&D by venturing into cleaning equipment. Yew Lee was ahead of its time, developing customized brushes and brooms and “educating” their customers to view these products not as mere household cleaning products but as useful tools for cosmetic care, baby care and hygiene products. This led to the establishment of Clean& Beautiful Sdn Bhd and Y.L.I Sdn Bhd, as mechanisms to develop a niche market in the feminine beauty industry.

Using the business history approach adopted from Chandler, most family SMEs in plastics production evolved from home-based cottage industries into knowledge intensive firms, mostly through MNC partnerships²⁶. The longevity of these family SMEs depended on keeping up with technological developments. Machine upgrades for value-added products as trusted brands was common after the next generation took over the family business, rather than focusing on mass production. New ventures and R&D occurred after they accumulated experience in global supply chains with MNCs that had

²⁵Rayaco products were derived from the knowledge learnt when the next generations were studying abroad, in USA. This helped them to bring in the ergonomic concepts embedded in the cleaning products, such as 3M cleaning products.

²⁶Kemajuan, Polynic, Guppy Plastic, Chang Huat and SKP Resources developed the tacit knowledge into OEM plastic production after partnering with Malaysia MNCs, particularly in the semiconductor and electronics sectors. These firms included Audio Pioneer, ST Microelectronics, Toshiba and Sanyo.

established their manufacturing plants in Malaysia. In this case, only two family SMEs in plastic production, Lee Huat and Sweetco, ventured into personal design brands and products after partnering with MNCs, indicating a major transition of tacit knowledge²⁷.

4.8 Developing Tacit Knowledge through Innovation in Plastic Production






Tacit knowledge management involving the upgrade of skills and a mindset that focuses on innovation are essential for plastic SMEs to codify tacit knowledge. Most literature on family businesses has connected family involvement to organization behaviour in the enterprise (adopting skills to develop tacit knowledge) and performance (openness to ideas to achieve competitive advantage). An in-depth study of 11 family SMEs in plastics production illustrates the positive impact of innovation to enhance enterprise development across generations in top down relations. Tacit knowledge is indescribable compared with codified or formal knowledge, difficult to access by outsiders and mostly acquired through experience. However, as indicated in Table 4.6, these plastic SMEs actively enhanced top down relations in certain work environments. For example, knowledge of how to foster innovativeness within new product development teams show development of tacit knowledge.





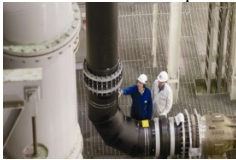
Table 4.6 also illustrates how these plastics SMEs enhanced tacit knowledge management through exchanges of ideas with managers and family members even though such exchanges were difficult and time-consuming. More importantly, building trust in the






²⁷ Based on the in-depth study on 11 family SMEs in plastic production, Lee Huat produced LH designed plastic housewares after partnering with Rubbermaid, USA. Sweetco produced Ekonor PVC floor mats after partnering with the Koreans and employing Maslino technology, from Italy.






relationships between organizations is essential for effective tacit knowledge management. Most family SMEs in plastics production were improved by developing new products. They adopted strategies to rebrand their signature products, conducted R&D and promoted a flattened management system. Firms in plastic injection collaborated with MNCs because diversification was essential. Dependence on the founders' tacit knowledge typically diminished due to changes in plastic technology.




Table 4.6: Impact of Developing Tacit Knowledge through Innovation in Plastic Production



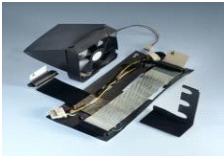


SME's Tacit Knowledge	Generational Change and Innovation Capacity	Strategy Management	Organizational Outcome
<p>1.SKP Resources (Large Scale Enterprise) (1974-2011) First Generation (Tacit knowledge) -E & E industry experience</p>  <p>↓</p> <p>(Create the concept) -OEM in audio visual parts</p> 	<p>First Generation</p> <p>Skill: Interpreted and adopted audio casings technology to develop tacit knowledge. Top Down: Top management always lead the teams to achieving world class standard in plastic technology. PUI: Openness to ideas and accepted technology advancement in audio visual parts accessories. Involvement: Mostly family members and started to incorporate professional management.</p>	<p>First Generation</p> <p>Strategy: Heavy family participation and finds suitable manager with good working experience in foreign companies such as Japan, European and US to implement changes towards enterprise development.</p>	<p>First Generation</p> <p>Enterprise Development: Encouraged diversification from cottage industry to contract manufacturing by meeting product specification in audio visual parts and accessories.</p>
<p>Second Generation (Convert to codify) -Convert into outlook design knowledge based on Japan technology</p>  <p>↓</p> <p>(Innovation Capacity) -AFTA trade business opportunities in E & E special in audio visual parts</p>  <p>↓</p> <p>(Enterprise Development) -License Manufacturing warehouse (LMW)</p> 	<p>Second Generations</p> <p>Skill: Interpreted tacit knowledge differently based on education received in Nissei plastic injection molding technology Top Down: Top management gives autonomy to professional managers to explore new and miscellaneous industry PUI: Openness to innovative ideas and engaged with ASEAN or Asia cluster industry such as AFTA. Involvement: Much family involvement, but focused on sustainability and performance oriented to achieve recognition.</p>	<p>Second Generations</p> <p>Strategy: Heavily involved in extending innovation capacity to develop tacit knowledge in order to suit with the formation of industrial cluster in Asia and regional integration such as AFTA and automotive cluster.</p>	<p>Second Generations</p> <p>Enterprise Development: Promoted knowledge-based enterprise and value added service solution to achieve license manufacturing warehouse in the Southeast Asia.</p>






<p>2.Bina Plastic (Medium Scale Enterprise) (1980-2011) First Generation (Tacit knowledge) -Plastic piping extrusion</p>  <p>↓ (Create the concept) -BBB SIRIM trademark</p> 	<p>First Generation</p> <p>Skill: Interpreted tacit knowledge into reliable piping system in Malaysia. Top Down: Top management started to monitor the plastic production aligned with industry specification. PUI: Openness to ideas, though accepted technology to produce Bina approved PVC piping system. Involvement: High family involvement and started to incorporate inter-ethnic business development in the government tender.</p>	<p>First Generation</p> <p>Strategy: Frequent family participation with sibling partnership to build the business networking with government or turnkey project in local project and overseas project.</p>	<p>First Generation</p> <p>Enterprise Development: Extended the production line from PVC piping system to the reliable plastic piping system aligned with new booming industry in the particular time frame.</p>
<p>Second Generation (Convert to codify) -Convert the BBB trademark to match with industry specification</p> <p>↓</p>  <p>↓ (Innovation Capacity) -Quality plastic piping products from low end to high end used</p>  <p>↓ (Enterprise Development) -Official commercial used of plastic piping products in different sector and export</p> 	<p>Second Generation</p> <p>Skill: Interpreted tacit knowledge to seek new technology to produce reliable piping system. Top Down: Autonomy given to managers to foster innovative ideas by exploring opportunities in the niche market. PUI: Openness to innovative ideas and adopted high technology machines to produce good standards of piping system. Involvement: Mostly family but encouraged upcoming generation to involve in production engineering to conduct R&D aligned with industry specification</p>	<p>Second Generation</p> <p>Strategy: Extended innovation capacity to develop new piping system and service solution to suit with industry specification. Invited the next generation to involve in the production and R&D.</p>	<p>Second Generation</p> <p>Enterprise Development: Promoted BBB trademark and upgraded quality and innovativeness to be an appointed commercial used in plastic piping industry.</p>






<p>3. Guppy Plastic (Medium Scale Enterprise) (1970-2011)</p> <p>First Generation (Tacit knowledge)</p> <p>-Plastic aquarium tanks in fish rearing as own hobby</p>  <p style="text-align: center;">⇓</p> <p>(Create the concept)</p> <p>-Industry fit specification for the booming industry in particular time frame</p> 	<p>First Generation</p> <p>Skill: Interpreted tacit knowledge into fish rearing aquarium tank.</p> <p>Top Down: Top management leads the teams aligned with fish farm ventures.</p> <p>PUI: Openness to ideas, though ventured into plastic injection molding when faced the shortage materials to produce fish tank.</p> <p>Involvement: High family involvement within business partnership between Ng and Goh ownership.</p>	<p>First Generation</p> <p>Strategy: Frequent family participation with business partnership between Ng and Goh ownership with same interest in fish rearing and always a first mover to venture into fish farm production.</p>	<p>First Generation</p> <p>Enterprise Development: Extended the production line from plastic aquarium tank to Guppy plastic injection molding aligned with the booming industry in the particular time frame.</p>
<p>Second Generation (Convert to codify)</p> <p>-Convert to be the one stop service plastic solution in the particularly industry</p>  <p style="text-align: center;">⇓</p> <p>(Innovation Capacity)</p> <p>-Diversified portfolio to provide in depth service provider in cluster industries</p>  <p style="text-align: center;">⇓</p> <p>(Enterprise Development)</p> <p>-Created the niche market with production capabilities to fit with the internal and external environment.</p> 	<p>Second Generation</p> <p>Skill: Interpreted tacit knowledge to seek advice from professional management by incorporating outsourcing.</p> <p>Top Down: Autonomy given to managers to foster innovative ideas in plastic solution. Every subsidiary had been centralized and reported to the professional managers.</p> <p>PUI: Openness to innovative ideas and adopted industry fit from household, office equipment, pets and medicine products.</p> <p>Involvement: Mostly family, but encouraged outsourcing. However, younger generation family members are not keen to join the business.</p>	<p>Second Generation</p> <p>Strategy: Extended innovation capacity to incorporate outsourcing and professional management to venture into different plastic production aligned with industry specification.</p>	<p>Second Generation</p> <p>Enterprise Development: Promoted Guppy plastic evolved from fish tank expertise as hobby based business to one stop service solution in plastic production with subsidiaries located at Malaysia, China and USA.</p>



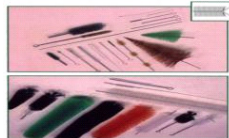


<p>4.Chang Huat (Large Scale Enterprise) (1974-2011) First Generation (Tacit knowledge) -In house experience in plastic injection plant</p>  <p style="text-align: center;">↓</p> <p>(Create the concept) -OEM products for MNCs in electronic & semiconductor industry between Malaysia electronic, Thailand and Indonesia.</p> 	<p>First Generation</p> <p>Skill: Interpreted and adopted in house plastic injection technology to develop tacit knowledge. Top Down: Top management focused on hand on training and make sure every staffs familiar with the plastic injection. PUI: Openness to ideas and accepted technology advancement in electronic and semiconductor industry. Involvement: Mostly family involvement and implemented in house training where the family members had to be involved in on job training from production until administration work.</p>	<p>First Generation</p> <p>Strategy: Heavy family participation and the family members usually involved in house training to understand the plastic injection molding technology.</p>	<p>First Generation</p> <p>Enterprise Development: Encouraged diversification from plastic household production (low end knowledge intensive) to electronic and semiconductor production (high end knowledge intensive) until plastic production in biotechnology and medicine (R & D intensive).</p>
<p>Second Generation (Convert to codify) -Convert from plastic injection to bunkering service in oil and gas sector</p>  <p style="text-align: center;">↓</p> <p>(Innovation Capacity) -Port of Tanjung Pelepas (PTP) bring great business opportunities between Singapore and Malaysia.</p>  <p style="text-align: center;">↓</p> <p>(Enterprise Development) -Strategic location in Southeast Asia region in bunkering and floating service.</p> 	<p>Second Generations</p> <p>Skill: Interpreted tacit knowledge from plastic injection technology to oil and gas bunkering service. Top Down: Top management gives autonomy to outsiders or partners who had experience in oil and gas shipping service. PUI: Openness to innovative ideas and ventured into oil and gas shipping service replaced with unprofitable plastic production. Involvement: Much family involvement, but assigned second son to be a company director who experience in oil and gas industry.</p>	<p>Second Generations</p> <p>Strategy: Heavily involved in extended innovation capacity to venture into bunkering service for oil and gas industry after impose disposal of the entire equity in Chang Huat Corporation Berhad to transform it core direction in oil and gas.</p>	<p>Second Generations</p> <p>Enterprise Development: Promoted knowledge-based enterprise and formed fuel storage contract with the main companies. Mitigate the great lost in the company annual return from the unprofitable plastic production.</p>






<p>5.Lee Huat Plastic (Medium Scale Enterprise) (1947-2011) First Generation (Tacit knowledge) -Knowledge in bicycle stands making</p>  <p>↓ (Create the Concept) -Plastic wares manufacturer</p> 	<p>First Generation</p> <p>Skill: Interprets tacit knowledge in line with bicycle stands manufacturer.</p> <p>Top Down: Top management leads teams aligned with local household community people to provide repairing service.</p> <p>PUI: Openness to ideas, though accepts technology to upgrade from manual hand work to the automated machine to produce drawer parts.</p> <p>Involvement: High family involvement of family members, siblings to create good service reputation in the housing community</p>	<p>First Generation</p> <p>Strategy: Frequent family participation between founder 's wife and the family members to work hard in providing repairing service to the local housing community and entitled as convenience workshop.</p>	<p>First Generation</p> <p>Enterprise Development: Extends production line from plastic aquarium tanks to office equipments and semiconductor industry due to the booming industry in the particular time frame based on tacit knowledge</p>
<p>Second Generation (Convert to codify) -Convert from housewares to OEM premium gifts and bottles for local MNCs.</p>  <p>↓</p>	<p>Second Generation</p> <p>Skill: Interprets tacit knowledge in line with plastic housewares sector.</p> <p>Top Down: Top management leads teams aligned with plastic wares ranges from household to MNCs.</p> <p>PUI: Openness to ideas, though accepts Korea and Japan technology to produce safely products and high value added capabilities.</p> <p>Involvement: High family involvement and corporation to engage effective coordination in 3Ms.</p>	<p>Second Generation</p> <p>Strategy: Frequent family participation within founder 's family members usually lead the family business towards quality plastic wares manufacturer to attract foreign investment as appointed free gifts manufacturer with local MNCs ranges from food and beverage to medicine group.</p>	<p>Second Generation</p> <p>Enterprise Development: Extends production line from plastic food container to plastic dining set (household division), from office equipments to bathroom accessories (interior design division and from premium free gifts to complementary goods (premium gifts division).</p>
<p>Third Generation (Innovation Capacity) -Design capabilities based on globalized trend and ideas (Japan, Europe and US)</p>  <p>↓</p> <p>(Enterprise Development) -Consultant based enterprise in design concept of innovative plastic utensils.</p> 	<p>Third Generation</p> <p>Skill: Interprets tacit knowledge in line with knowledge transfer between Malaysia human resources and Italian institute to enhance design capabilities in plastic housewares.</p> <p>Top Down: Top management leads teams aligned with design culture of LH Plus to match with globalized trends and ideas.</p> <p>PUI: Openness to ideas, though accepts advance technology with less maintenance to produce high design outlook from Japan, Europe and US design.</p> <p>Involvement: High family involvement of young family members of Gen-X and Gen-Y encourage to involve in own consultative enterprise.</p>	<p>Third Generation</p> <p>Strategy: Frequent family participation among Gen-X and Gen-Y and allowed the upcoming generation establish their own enterprises based on their education received and personal interest. More towards flexible organization and provide customized service.</p>	<p>Third Generation</p> <p>Enterprise Development: Extends production line from product based plastic housewares manufacturer to service based consultant in design concept of innovative plastic utensils.</p>

<p>6.Polynic Industries (Small Scale Enterprise) (1977-2011)</p> <p>First Generation (Tacit knowledge)</p> <p>-Engineering background specialization in writing instruments plastic injection</p>  <p>↓</p> <p>(Create the Concept)</p> <p>-OEM manufacturing target for MNCs in printing machines</p> 	<p>First Generation</p> <p>Skill: Interpreted tacit knowledge aligned with writing instruments technology after adopted from the professional skill in engineering.</p> <p>Top Down: Top management under founder's leadership to lead from production until administration work.</p> <p>PUI: Openness to ideas, mainly served purpose to achieve higher return on investment with lack of focus in R&D.</p> <p>Involvement: High family involvement and solely based on founder's monitoring and control.</p>	<p>First Generation</p> <p>Strategy: Compulsory to involve family participation and developed solid business networking with surrounded MNCs in electronic sector located at Penang. Staffs who had rich experience in business networking promoted at the top position.</p>	<p>First Generation</p> <p>Enterprise Development: Extended production facilities and established plastic injection molding enterprise to cater single industry in writing instrument sector.</p>
<p>Second Generation (Convert to codify)</p> <p>-Convert knowledge into plastic injection molding embedded with wire assembly and harness</p>  <p>↓</p> <p>(Innovation Capacity)</p> <p>-Tacit knowledge to explore innovation capacity in virtual R & D in renewable energy or energy saving</p>  <p>↓</p> <p>(Enterprise Development)</p> <p>- Collabouration project to build globalized virtual R & D by producing renewable energy plastic injection molding products</p> 	<p>Second Generations</p> <p>Skill: Interpreted experience from founder and passes skills across generations from in house production to the virtual R&D.</p> <p>Top Down: Top management replaced with younger competent staffs with more flexible.</p> <p>PUI: Openness to ideas, mainly to explore renewable energy opportunities in plastic injection technology</p> <p>Involvement: Although high family involvement, always encouraged cross functional activities towards better engagement.</p>	<p>Second Generations</p> <p>Strategy: Involved in extended innovation capacity by focusing on virtual R&D in OEM production in the plastic technology adopted ideas from all over the world.</p>	<p>Second Generations</p> <p>Enterprise Development: Less likely to add on production facilities but focused on rebranding or restructrizing to provide more service solution in plastic production with the focuses on renewable energy.</p>

<p>7.Lam Seng Plastic (Medium Scale Enterprise) (1967-2011) First Generation (Tacit knowledge) -Knowledge of industrial chemical wholesales and essential oils</p>  <p>↓ (Create the concept) -Winner trademark chemical resistant plastic container ranges from household to industrial used</p> 	<p>First Generation</p> <p>Skill: Interprets tacit knowledge in line with wholesale experience in industrial chemical and essential oil. Top Down: Top management leads teams aligned with wholesales in all kind of industrial chemical to be used in different sector. PUI: Openness to ideas, though accepts technology to diversity from industrial chemical to plastic injection molding in household products. Involvement: High family involvement and they are the huge difference of job task between family members and non-family members.</p>	<p>First Generation</p> <p>Strategy: Frequent family participation with siblings partnership to venture from chemical engineering to Winner brand plastic container production.</p>	<p>First Generation</p> <p>Enterprise Development: Extended production line from industrial chemical To Winner trademark of plastic injection molding.</p>
<p>Second Generation (Convert to codify) -Convert the plastic container injection molding to OEM in industrial and high technology sector</p>  <p>↓ (Innovation Capacity) -OEM contact manufacturing in high technology parts and oil palm cultivation</p>  <p>↓ (Enterprise Development) -Knowledge intensive plastic technology industries</p> 	<p>Second Generation</p> <p>Skill: Interpreted tacit knowledge to upgrade plastic technology from light industry into heavy industry until palm oil cultivation. Top Down: Autonomy given to managers to foster innovative ideas and more focused on performance oriented. PUI: Openness to innovative ideas and adopted better technology from plastic injection, blow molding to silk printing. Involvement: Mostly family but encouraged upcoming generation to involve in production to conduct R & D in knowledge intensive industries.</p>	<p>Second Generation</p> <p>Strategy: Involved in extended innovation capacity to create and develop OEM contract manufacturing in all types of plastic injection production.</p>	<p>Second Generation</p> <p>Enterprise Development: Promoted brand reputation of Winner trademark and established other subsidiaries in palm oil cultivation and toothbrush production to achieve build on reputation.</p>

<p>8.Kemajuan (Medium Scale Enterprise) (1973-2011)</p> <p>First Generation (Tacit knowledge)</p> <p>-Knowledge of metal and stainless steel fabrication to local electronic MNCs</p>  <p>↓</p> <p>(Create the concept)</p> <p>-OEM capabilities to produce metal fabricated storage equipments and plastic injection to local MNCs in electronic sector</p> 	<p>First Generation</p> <p>Skill: Interpreted tacit knowledge in line with metal fabrication targeted MNCs in the electronic sector.</p> <p>Top Down: Top management leads teams aligned with the MNCs orders and experienced managers usually placed at the top position.</p> <p>PUI: Openness to ideas, though accepted new technology to increase production capabilities prompt delivery to local MNCs.</p> <p>Involvement: High family involvement business partnership between Chia and Chan family members where Chia oversees external operation and Chan oversees internal operation.</p>	<p>First Generation</p> <p>Strategy: Frequent family participation between Chia and Chan partnership business and developed strong business networking with local MNCs in electronic sector. Meanwhile, developed inter-ethnic network to invite Bumiputera director involvement with strong background in the government affairs.</p>	<p>First Generation</p> <p>Enterprise Development: Extended production line from metal fabrication to plastic injection molding particularly in chips and electronic plastic packaging.</p>
<p>Second Generation (Convert to codify)</p> <p>-Convert the metal fabrication to OEM in plastic injection molding and later emphasized on plastic packaging technology in electronic sector</p>  <p>↓</p> <p>(Innovation Capacity)</p> <p>-OEM contact manufacturing in electronic and semiconductor target to the Japan MNCs, European and USAMNCs.</p>  <p>↓</p> <p>(Enterprise Development)</p> <p>-Largest in house R & D in carrier tape technology and plastic packaging components in Malaysia and Southeast Asia.</p> 	<p>Second Generation</p> <p>Skill: Interpreted tacit knowledge to upgrade from metal fabrication to plastic packaging technology.</p> <p>Top Down: Autonomy given to managers to foster innovative ideas to handle overseas manufacturing plant at Thailand and Casablanca subsidiaries.</p> <p>PUI: Openness to innovative ideas and adopted in house R&D in carrier tape technology to achieve recognition in Southeast Asia.</p> <p>Involvement: Mostly family members to be recruited as department manager, Chia family mostly involved at external operation (sales, marketing, purchasing) and internal operation (accounting, financial control, quality control)</p>	<p>Second Generation</p> <p>Strategy: Involved in extended innovation capacity by promoting in house R&D in carrier tape, tubes to explore more business opportunities and meet the standard requirement from Local MNCs such as Toshiba, Hitachi and ST Microelectronics.</p>	<p>Second Generation</p> <p>Enterprise Development: Promoted build on reputation and put Kemajuan as one stop service solution in electronic packaging components focused on electronic and semiconductor industry.</p>

<p>9. Yew Lee (Small Scale Enterprise) (1970-2000)</p> <p>First Generation (Tacit knowledge)</p> <p>- Knowledge transfer from founder's father and relatives in brooms making</p>  <p>↓</p> <p>(Create the concept)</p> <p>- Create the brush expert concept to turn brooms and brushes into value added products</p> 	<p>First Generation</p> <p>Skill: Interpreted tacit knowledge aligned with knowledge transfer in the brooms production.</p> <p>Top Down: Top management usually performed cottage industry with no proper organization structure.</p> <p>PUI: Openness to ideas, mainly produced different broom products to capture bigger market.</p> <p>Involvement: High family involvement as husband and wife partnership business. Start to incorporate founder's brother in law to involve in the daily production.</p>	<p>First Generation</p> <p>Strategy: Compulsory to involve partnership business between husband and wife focus on brushes production and captured bigger market in baby feeding bottle production manufactured under Yew Lee.</p>	<p>First Generation</p> <p>Enterprise Development: Extended and added to production facilities from the low end cottage industry to brush and brooms expert production enterprise.</p>
<p>Second Generation (Convert to codify)</p> <p>- Convert brush expert knowledge into OEM products to match with industry specification</p>  <p>↓</p> <p>(Innovation Capacity)</p> <p>- Tacit knowledge to explore innovation capacity by investing in education from production to marketing</p>  <p>↓</p> <p>(Enterprise Development)</p> <p>- New concept and cultural based brushes enterprise</p> 	<p>Second Generations</p> <p>Skill: Interpreted experience from founder and passes skills across generations from family owned to the brushes expert enterprise.</p> <p>Top Down: Top management replaced with young educated staff equipped with MBA background. PUI: Openness to ideas, mainly to upgrade carrier development within staffs and ventured into different industry.</p> <p>Involvement: Although high family involvement, daughters used to involve in the marketing and production to protect tacit knowledge.</p>	<p>Second Generations</p> <p>Strategy: Involved in extended innovation capacity and believe education can changed the world to upgrade the product design and matched with the industry specification.</p>	<p>Second Generations</p> <p>Enterprise Development: Less likely added to production facilities but started to rebrand or restructurizing business towards concept enterprise such as clean and beauty enterprise and personal care brushes production.</p>

<p>10.Cemerlang Raya (Small Scale Enterprise) (1987-2011) First Generation (Tacit knowledge) -Wholesales experience to distribute China hardware products to the retail shop</p> <p style="text-align: center;">↓</p>  <p>(Create the concept) -Brooms manufacturer to target business networking with previous hardware merchants</p>  <p>Second Generation (Convert to codify) -Convert knowledge to design and create cleaning concept of Rayaco brand of cleaning products</p>	<p>First Generation</p> <p>Skill: Interpreted tacit knowledge aligned with hardware trading experience later ventured into brooms production.</p> <p>Top Down: Top management usually under founder's leadership where founder's wife and brother in law always placed at the top position.</p> <p>PUI: Openness to ideas, mainly to produce low price of cleaning products to stay competitive.</p> <p>Involvement: High family involvement and founder performed in sales and marketing where the brother in law involved in the production to protect tacit knowledge.</p>	<p>First Generation</p> <p>Strategy: Involved business partnership between husband and wife to protect tacit knowledge. However, the family members feel reluctant to learn new or latest technology in the brooms production. Started to invest in high technology in machine production.</p>	<p>First Generation</p> <p>Enterprise Development: Extended and added to production facilities by utilizing previous business networking with hardware trading to be a major supplier to distribute brooms products to the hardware sector.</p>
<p style="text-align: center;">↓</p>  <p>(Innovation Capacity) -Tacit knowledge to categorize Rayaco products into brooms series, brushes series and household series</p> <p style="text-align: center;">↓</p>  <p>(Enterprise Development) -Provide Gen-2 newly family enterprise focus on new concept of cleaning products and explore export capacity</p> 	<p>Second Generations</p> <p>Skill: Interpreted experience from founder and passes skills across generations to create cleaning concept of Rayaco products.</p> <p>Top Down: Top management replaced with younger competent Gen-X family members or staff to develop innovative production.</p> <p>PUI: Openness to ideas, mainly to develop and create better portable cleaning products with better outlook.</p> <p>Involvement: Although high family involvement encouraged cross functional activities among family members to establish R & D cleaning concept.</p>	<p>Second Generations</p> <p>Strategy: Involved in extended innovation capacity by focusing R & D in Rayaco cleaning products based on current production trend and captured export trading.</p>	<p>Second Generations</p> <p>Enterprise Development: Less likely added to production facilities but focused on rebranding or strategizing to put Rayaco as famous concept based cleaning products enterprise aligned with "together we clean better".</p>

<p>11.Sweetco Enterprise (Medium Scale Enterprise) (1929-2011)</p> <p>First Generation (Tacit knowledge)</p> <p>-Knowledge in important goods wholesales experience from China to Malaysia</p>  <p style="text-align: center;">↓</p> <p>(Create the concept)</p> <p>-To be the sole distributor of imported goods in Malaysia</p>  <p>Second Generation (Convert to codify)</p> <p>-Convert from international business experience from Asia and Europe hence produce PE made products</p>  <p style="text-align: center;">↓</p>	<p>First Generation</p> <p>Skill: Interpreted tacit knowledge aligned with sole agent experience in imported goods.</p> <p>Top Down: Top management usually under founder leadership and closer relationship with founder normally placed at the top position.</p> <p>PUI: Openness to entrepreneurial dynamism mainly to survive.</p> <p>Involvement: High family involvement and family members handled daily business.</p> <p>Second Generations</p> <p>Skill: Interpreted experience from founder and passes skills across generation from wholesales to PE canvas production</p> <p>Top Down: Top management lead by senior staffs and started ventured in PVC floor mats. Not many staffs allocated at the top down relations.</p> <p>PUI: Openness to ideas, mainly to enhance efficiency and developed PE canvas from European to Asian design.</p> <p>Involvement: Although high family involvement, but encouraged family centralized and professional management.</p>	<p>First Generation</p> <p>Strategy: Compulsory to involve family members to work in the company as sole agent or local distributor for imported products accompanied with money transfer service.</p> <p>Second Generations</p> <p>Strategy: Involved in extended innovation capacity to be a sole agent to distribute the PE canvas and PVC floor mats imported from Asian and European later mastering the knowledge and produced own brand of PE related products.</p>	<p>First Generation</p> <p>Enterprise Development: Extended and added to be a sole agent for the imported goods from Asia, European and Southeast Asia to capture growing demand of imported goods.</p> <p>Second Generations</p> <p>Enterprise Development: Less likely added to production facilities but focuses on rebranding or strategizing business to match with latest market requirement to produce high quality of PE canvas and PVC floor mats.</p>
<p>Third Generation (Innovation Capacity)</p> <p>-Knowledge transfer between Masfloor and Perlis state government and later to produce own Ekonor brand</p>  <p>(Enterprise Development)</p> <p>-To become Sweetco Inc focus on diversification business activities from manufacturing to investment</p> 	<p>Third Generations</p> <p>Skill: Interpreted experience from second generation and passes skills across generation to form partnership with foreign investor to produce Maslino PVC floor mats.</p> <p>Top Down: Top management lead by loyalty staffs and senior staffs usually placed at the top position.</p> <p>PUI: Openness to ideas, mainly to create own brand of PE and floor mats products.</p> <p>Involvement: Although high family involvement, but hard to attract younger staff to be involved in this old trading enterprise.</p>	<p>Third Generations</p> <p>Strategy: Involved in extended innovation capacity by producing Malaysian PE Canvas products and "Ekonor" floor mats products to promote Malaysia production to cater export trading.</p>	<p>Third Generations</p> <p>Enterprise Development: More likely added to production facilities and focuses on rebranding or restructurizing business split into manufacturing, property investment, plantation, logistic and marketing under centralized management.</p>

Table 4.6 indicates that the next generation had collaborated with selected foreign MNCs as strategic partners to promote the growth of family business in Malaysia and overseas. Most plastic SMEs relied on foreign MNCs in Malaysia as suppliers of plastic parts and accessories. Most of them, following their collaboration with MNCs, restrained their tacit knowledge founded during the first generation due to technology changes requiring more sophisticated parts and equipment. None of them who collaborated with MNCs in the plastic injection sector utilized their tacit knowledge to develop their core products, except for certain plastic SMEs dealing with plastic houseware such as Lee Huat and Sweetco. They were more intent on upgrading their skills to speed up production and fully concentrated on drawing contracts from MNCs.

Table 4.6 shows that there was a lack of technology transfer and financial strength for an R&D laboratory plant during the first generation. The first generation was open to ideas but interested in profits rather than value-added production. Therefore, the upgrading of skills always remained stagnant without any improvement and changes. As a result, the next generation did not rely on the capabilities of founding family members to grow their business. The table demonstrates how important the next generation is to constantly adapting appropriate strategies to enhance or re-shape tacit knowledge. These family SMEs were trying hard to adapt to the industry as quickly as possible given the fast changing nature of this booming industry. These rapid changes also meant that these SMEs were required to interpret tacit knowledge to remain competitive.

Innovation helps create markets and production networks, eventually disrupting an existing market and displacing earlier tacit knowledge of plastic technology and economic changes. In terms of top down relations, some family SMEs in plastics

production were able to leverage on formal training and give decision-making autonomy to senior management to effectively propel the company forward. This business approach indicates that the first generation usually showed great entrepreneurial capacity, while the second generation was mostly responsible for organization and brand development and the third generation professionalized the firm. Table 4.6 shows that the next generation avoided rigid bureaucratic structures with a flat management reporting structure, attracting non-family members. This is best illustrated in the case of SKP Resources, Chang Huat, Polynic, Kemajuan, Guppy Plastic and Lam Seng Plastic. The common characteristics of these plastic SMEs were a lack of retention of tacit knowledge after collaborating with local MNCs. A majority of them diversified into different business activities to retain their large customer base, each with different new projects. This led to the adoption of strategies such as: (a) extending innovation capacity by promoting R&D to innovate their new products; (b) extending innovation capacity to their new direction in other sectors; and (c) extending innovation capacity aligned with changes in the booming plastic industry.

In order to compete with low labour cost countries such as China, Thailand and Vietnam, particularly in the electronics and semiconductor sectors, the next generation of Kemajuan and Polynic chose to extend their innovation capacity by promoting R&D. Kemajuan evolved from metal fabrication to plastic precision injection and remained focused on their carrier tape R&D to improve their products. Polynic's next generation conducted virtual R&D in renewable technology and produced solar spotlights. Both stated that they did not retain their firms' tacit knowledge.

SKP Resources and Chang Huat shifted their focus from plastics production to exploit opportunities emerging from industrial clusters in ASEAN countries. The next

generation from SKP Resources, equipped with skills acquired from Japan's Nissei, involved into plastic injection and ventured into the automobiles industry through partnerships with professional managers. Chang Huat totally disposed of its previous business in plastic injection and became a major player in oil and gas bunkering services. Both these family SMEs, categorized as large-scale public-listed companies, extended their innovation capacity to venture into different sectors.

This innovation was encouraged through incorporation of professional management and outsourcing to tackle new opportunities in booming industries, aligned with government policies to promote the high tech sector. The next generation of Lam Seng conducted R&D in high technology customized molding, building on the government's effort to promote heavy industrialization and export trading. Lam Seng established the Winner brand housewares production, aligned with the import-substitution industrialization strategy (ISI). The next generation ventured into toothbrush production and palm oil cultivation aligned with the export-oriented industrialization strategy (EOI). The establishment of Eurollence in Malaysia and Indonesia promoted knowledge sharing in high precision plastic production, aligned with knowledge intensive strategies. Guppy Plastic is not as prominent as Lam Seng since its next generation was not keen to develop tacit knowledge in plastic production²⁸ due to the founder's tacit knowledge in fish farm operations.

In Table 4.6, the next generation developed the founder's tacit knowledge given its importance for plastics sectors such as piping systems, floor mats and canvas, brushes and brooms and cleaning products. The next generation urged their staff and family members to develop proprietary products and seek new business opportunities abroad

²⁸ Interview conducted (11.6.2012, 7-8pm) in Guppy Plastic Industries Sdn Bhd, Kuala Lumpur Plant.

by upgrading their core products. Compared with plastic injection SMEs collaborating with MNCs, family SMEs in plastics housewares production illustrate the ability to correctly interpret tacit knowledge to be used sustainably within the firm and protected from knowledge leaks. Cases where family SMEs have productively nurtured tacit knowledge in plastic housewares include Lee Huat, Sweetco, Yew Lee, Cemerlang Raya and Bina Plastic. Two plastic SMEs in the third generation established during British colonial rule, Sweetco and Lee Huat Plastic, have continued to develop design cultures in plastic floor mats and houseware products. The next generation from these family SMEs are more likely to have added to production facilities and focus on: (a) rebranding and strategizing tacit knowledge through value-added improvement; (b) rebranding and strategizing tacit knowledge through the introduction of new concepts; and (c) rebranding and strategizing tacit knowledge based on the education they had acquired.

Plastic houseware and industrial fittings are perceived as low end technology use with a lack of quality control. The next generation attempted new strategies to develop their existing products. Sweetco's third generation CEO, Ng Wei Yew, adopted foreign (Italian) technology and worked with Koreans to create new products. Such joint ventures helped promote technology transfer and hence, the productive development of tacit knowledge. In Bina Plastic, the autonomy given to family and non-family managers led to new production methods and R&D innovation for high standard plastic piping systems. Both adopted the philosophy of "learning by doing", based on practical experience from previous generations to effectively develop tacit knowledge.

In the next generation of Lee Huat Plastic and Cemerlang Raya, there was a concerted attempt by the Chen and Tan family members to design new concepts of plastic housewares in keeping with globalized trends and ideas. In the case of Lee Huat Plastic,

the next generation developed a flexible organization structure to promote consultation about designs, thus nurturing original design manufacturing (ODM). This generation was given full autonomy to establish a consultative plastic design laboratory, seen in their setup of different subsidiaries and branches such as LH Plus (ODM of plastic housewares), Halo + Agency (industrial plastic housewares production adopted from Japanese technology) and Clover Design (premium plastic houseware and gifts). Yew Lee in the broom and brush industry best illustrates the importance of knowledge specification to enhance “match and relate”. Tan Lay Koon, Tan Lay Peng and Tan Lay Thing from Yew Lee attributed the growth of the family business to the centrality of family teamwork to innovate their range of products as well as their desire to be placed in a different industry, an issue that emerged as a top priority by advancing tacit knowledge to venture into the niche market of beauty and personal care industry²⁹.

4.9 Conclusion

From the 1930s to 2010s, the strategic location, manufacturing ability and institutional changes in Malaysia allowed many MNCs to establish themselves in key sectors. Malaysia became one of the largest sources of electronics, plastic production, automobiles, machinery and audio equipment. This historical analysis of the innovation capacity in plastics production among family SMEs shows the differences in terms of knowledge transformation across generations, particularly between plastic injection and housewares production. During the founding generation, knowledge of plastic production was acquired through hands-on experience and repetitive practice, policies were integrated and internalized in production, and partnerships with MNCs allowed

²⁹During an interview conducted (23.9.2011, 4-6pm) with Tan's daughters in their Malacca factory in Bukit Berendam, they mentioned that build on reputation by strengthening the knowledge specification to match with niche market is essential to enhance business efficiency. Therefore, the next generation would seek new opportunities, venturing into the cosmetic and beauty industry, a reason for establishing Clean & Beautiful Sdn Bhd and Y.L.I Sdn Bhd.

participation in global supply chains. An analysis of the in-depth study of 11 plastic SMEs in plastics production indicates that the next generation was allowed sufficient autonomy to perform their duties, from improving tacit knowledge to build on the reputation of the firm to rebranding core products. Tacit knowledge changed, as evidenced by new products and enterprises.

Previous studies of family businesses argue that family members are not actively involved in SMEs, even for Malaysian firms³⁰. However, in certain industries, such as plastic injection and precision engineering, a well-educated second generation was heavily involved in R&D activities while professional management was introduced and product development was encouraged. The next generation preferred becoming more open as an organization. Some refused to maintain their existing tacit knowledge in production, particularly those involved in plastic injection. The tacit knowledge, instead, was transformed into different kinds of products, services, solutions and systems. The next generation upgraded frequently, keeping abreast with technological advancement and building a reputation for their products to create trusted brands in the domestic and international marketplace. Most imperative for the longevity of these family firms in plastics production was typically the process of commercializing a founders' tacit knowledge. Improvements to the production process or an increase in the variety of products were keys, and though not absent among the founding generation, it was given new impetus when the second and third generations took control of the organization.

However, the extended innovation requires the founder to have assigned autonomy to the next generation, giving said firms a competitive advantage. When a generational

³⁰For the study of family involvement in SMEs, see Ward (1998), Harris et al., (1994) and Gersick et al., (1997). For the case of Malaysia, see Gomez (2007).

change occurs, there were clear transitions in these firms' internal factors such as their objectives, organizational structures, products and new enterprises. External factors such as the nature of public policies also shaped the nature and extent of R&D. A majority of these firms had humble beginnings before becoming sophisticated OEM plastic production enterprises; the transition from being a cottage business such as workshops, sole agents or main distributors to creating vendor ties with MNCs is obvious in the case studies. Public policies, including a shift to export-oriented industrialization, led to major evolutions in organizational structures and innovation such as allocating resources to new plants, exploring niche markets and creating new ventures. Developing a corporate presence through branded products was encouraged.

MNC partnerships spurred SMEs to continuously upgrade their machines, develop the range of their products, involve more professional managers and establish new subsidiaries to increase their sales volume. This is commonly seen in plastics SMEs such as SKP Resources, Chang Huat, Polynic, Kemajuan, Guppy Plastic and Lam Seng, all of which are companies that frequently ventured into various industries in order to keep pace with the rapid changes in technology and market demand³¹. The business history approach indicates that a majority of these SMEs relied strongly on projects and orders from MNCs to improve production processes. The major problem faced by these firms in nurturing a culture of R&D and new innovation is the high costs involved in designing new moulding with a new series of needed equipment and accessories since SMEs hardly get R&D funding from the government.

The other problem faced by these SMEs in retaining tacit knowledge is that products from their original enterprise such as fish farm aquarium production, writing instrument

³¹ SKP Resources manufactured audio-visual parts from its collaboration with Pioneer technology. Kemajuan improved carrier-tape packaging process after adopted ideas from ST Microelectronics.

parts supplier, steel fabrication and plastic container producer, could hardly compete in terms of price, variety and quality. Some of them chose to shift to other business aspects besides plastic injection, exploring niche markets by producing uncommon products and establishing business ties with MNCs. Since knowledge production in plastic technology can easily be replaced with new technology and plant upgrades, these SMEs risked losing major customers to competitors. Therefore, it was hard to retain tacit knowledge since market demand in plastic production highly depended on higher technology learning and transfer. This is why a majority of these SMEs in plastic injection found it difficult to retain product uniqueness.

Among plastics manufacturers, there was a more urgent need to adapt and be more creative and inventive with their designs while contractual ties with MNCs proved vital to sustain growth. However, there was a negative side to these collaborations between plastic SMEs and MNCs. They had to compete while struggling to survive during economic recessions such as the 2008 financial crisis that badly affected the electronics sector. These family SMEs in plastics production ventured into other profitable industries during the transition as they experienced less demand for ordered parts and accessories from MNCs during economic recessions.

Among the 11 plastic SMEs in this study, three of them acquired knowledge from MNC partnerships and then ventured into other industries. SKP Resources acquired knowledge from Pioneer auto visual parts and ventured into the automobile industry through AFTA after they faced declining demand for parts and accessories in the audio visual industry. Chang Huat disposed of their business in OEM plastics production after they faced slow demand for orders from local MNCs. However, Chang Huat made use of its business networking with MNCs and later ventured into a more profitable oil and

gas bunkering services. Polynic ventured into renewable energy to produce Solar-based spotlights after conducting virtual R&D with MNCs in Malaysia after they faced the challenge of slow movement in OEM plastic production with MNCs.

Unlike plastic houseware and household products SMEs such as Bina Plastic, Yew Lee and Cemerlang Raya, Sweetco and Lee Huat chose to refocus and rebrand their core products. The next generation was able to change their product outlook and features by improving and adding value to trusted brand products. Since plastic houseware SMEs were established in the 1930s, families, particularly third generation CEOs, were able to accumulate knowledge over time. They incorporated the specific context into the subtleties of product design. Most second generation family SMEs in plastics production transferred their tacit knowledge yet tacit knowledge management was problematic due to rapid change. Therefore, the third generation CEO from Sweetco chose to partner with foreign investors and the local government to produce floor mats. Lee Huat acquired knowledge to produce LH designed houseware after partnering with Rubbermaid from USA and emerged as a novel plastic houseware manufacturer. This aligns with previous research which show that tacit knowledge is best transformed in close interpersonal relationships with each other (Nonaka, 1994; Turner & Makhija, 2006).

Descendent-controlled firms are more professionally run than were founder-controlled firms. SMEs are more effective at tacit knowledge management and these family firms use more personal and informal mechanisms to train their successors. This can be vividly seen in plastic SMEs such as Cemerlang Raya, Yew Lee and Bina Plastic³².

³²See Tables 4.5 and 4.6. The active involvement of sibling partnerships in production led to greater effectiveness of tacit knowledge management, where numerous branded products were successfully introduced in the domestic and international markets.

Most of these plastic houseware enterprises have specialized production processes so competitors find it difficult to copy product features and appearance. Firms that rely on tacit knowledge frequently develop a reputation for producing branded goods such as Rayaco cleaning tools, LH designed housewares, Bina Plastic piping systems and Yew Lee brooms and brushes. These are closely related to dynamic family involvement (see Tables 4.5 and 4.6). However, the positive effect of family involvement in benefiting from tacit knowledge in family firms is less so for larger enterprises. It also varies across sectors. In larger firms, family involvement represents a small fraction and families may share their tacit knowledge with employees who practice professional management instead of tacit knowledge management.

A principal issue of tacit knowledge management is limited property rights (Liebeskind, 1996). Family firms where tacit knowledge is important for production must have protocols to limit tacit knowledge leakage. The next chapter will discuss the importance of tacit knowledge management in family firms in conjunction with 3Ms and innovation capabilities in creating highly entrepreneurial companies.

CHAPTER 5

Family SMEs in the Food Industry

5.1 Introduction

This chapter outlines and reviews the development of family enterprises involved in food production. Interviews were done by the researcher in the early stages of this study in order to identify firms which would match the requirements of this study and answer the research questions (Denzin and Lincoln, 2005b; Bryman, 2001). The study first profiles the changes and development of 17 family SMEs identified for assessment in terms of number of employees, managers, equipment and products across generations.

From the study, two of these food production family SMEs were eventually taken over by outsiders, i.e., Ghee Hiang and TPC. In both cases though, tacit knowledge was retained or transformed in the marketplace, for example sesame oil and heritage oriental pastries (Ghee Hiang) and egg poultry farms (TPCPlus). This offers a rationale for including them in the assessment although they were taken over by outsiders. The key issue in this study is also to capture the evolution of these SMEs from family enterprises to professionalized corporations by providing a brief history, the respective family trees and roles of family members in management across generations.

The patterns observed during the transition in ownership within family firms help draw some attention to whether non-family members can develop tacit knowledge to adapt to new market demands and economic changes in food production. Generational changes in terms of working styles and educational backgrounds contribute to new interpretations of tacit knowledge and its deployment as well as the implementation of the 3Ms (marketing, manufacturing and management) to foster organizational changes towards enterprise development. This can be seen in some of the family SMEs in food production, such as Besfomec, Kum Thim and Vit Makanan, which were able to expand their businesses and compete with other players within the global supply chain as well as improve the distribution of their branded products (marketing), upgrade their production capabilities to focus on food quality assurance (manufacturing) and engage family members with professional and highly qualified staff to develop effective administration coordination (management).

Furthermore, this study investigates how tacit knowledge is developed through innovation by upgrading skills, improving top-down relations and deploying R&D to develop the enterprise. This consists of joining forces with foreign firms to develop new pharmaceutical products (Eu Yan Sang), develop R&D in food technology to produce export-based products in the biscuits industry (Tatawa) and upgrade production capabilities to develop Ipoh coffee and a range of organic health beverages (Hei Hwang). The research findings in this study offer detailed information and insights into 17 family SMEs in food production, done in chronological order from the initial set-up to changes in ownership and product development with a focus on the 3Ms and innovation capacity.

5.2 Family Firms in Food Manufacturing

In the food manufacturing sector, the longevity of family SMEs has been quite remarkable because of their capacity to adapt their products to suit the changing tastes of a multi ethnic society in transition due to rapid modernization. A growing number of family SMEs are now well into the third generation. The agrifood and food and drink processing industries are the fourth largest manufacturing industry sector in Malaysia after electronic components, oil refining and IT products. The total number of firms in food processing in 2011 was 6,069, of which 98 percent were SMEs. Processed foods, distributed overseas to over 80 countries, generate approximately RM6 billion from yearly export sales volume, two-thirds of total Malaysian food exports.

As income per capita grew, lifestyle changes altered food consumption habits with growing demand for more nutritious and higher quality products. Malaysia's daily baked products industry, for example, has registered an increase in new product development, new investments and new concepts that have contributed to massive sales growth. There is a growing consumption of food products that are easy-to-cook, ready-to-eat and Halal. Growing international demand for Halal food has created much potential for firms in this sector to expand their markets globally. Malaysia's food processing industry has shown the capacity to compete with imports in the local market (Chang, 2005).

There was also growing demand for easy-to-prepare, convenient and out-of-season food products. The rising popularity of ready-to-eat, ready-to-cook, ready-to-drink and ready-to-buy food products served to motivate these family SMEs to diversify the range of products they produced, an issue second and third generation family members felt

equipped to handle (see Figure 5.1). Ready-to-eat food products such as biscuits, pastries and nuts offer more scope for new product development, comprising of both western and oriental varieties. This category is the fastest growing one in the food industry. Based on Figure 5.1, most of the SMEs (12 out of 17) are second generation firms, primarily involved in ready-to-eat (biscuits, pastries and nuts) and ready-to-cook (noodles and sauces) products. These SMEs are also involved in ready-to-drink (canned drinks, instant health beverages and fruit juice) products, with the second generation (2 out of 17 cases) and third generation (2 out of 17 cases) playing a role in developing these goods. Since there are huge opportunities for health supplements, biotechnology and pharmaceutical sectors, family SMEs are also focusing on producing products of this nature (see Figure 5.1).

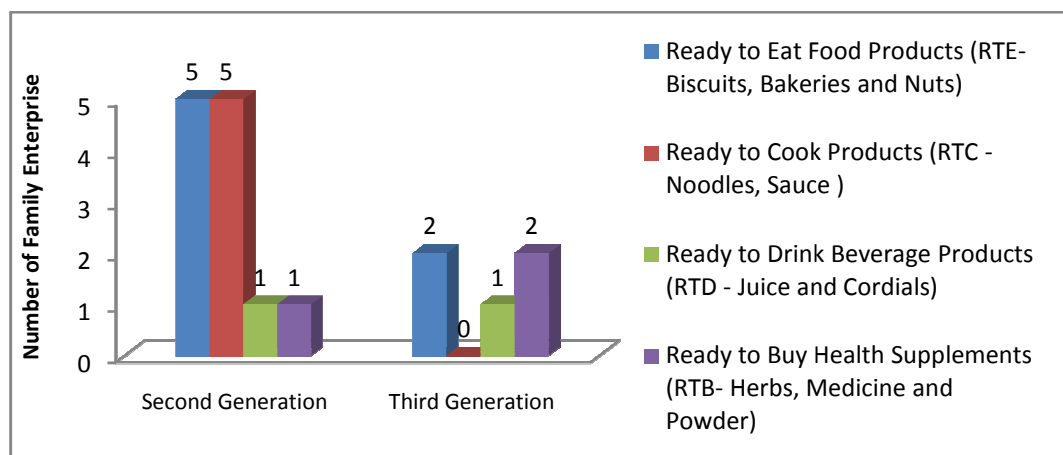


Figure 5.1: Business nature of family SMEs in food production across generations

5.3 Food Production: Profile & Development

An in-depth assessment of these SMEs indicate that the second and third generation family members have higher learning than the founders which is evidence of these firms' investment in human capital development. However, an outcome of such

investment was that this new well-educated generation is one that is prone to questioning what they see as old or traditional patterns of production³³.

Table 5.1 draws attention to the growing number of subsidiaries, branches and equipment in running the enterprise across generations, an indication of the incorporation of members of new generations into these 17 family SMEs. This table further reveals a high number of new convenience food and branded food products produced through R&D investment, a fact confirmed during interviews with the executives of these SMEs³⁴. A key point that emerged from the interviews was that roughly one-third of the 17 family SMEs in food production were established in the middle of the nineteenth and the beginning of the twentieth century. The food production industry has had steady development across generations, primarily by investing in product development and by ensuring that tacit knowledge was codified in a variety of formats. Three family SMEs have been in existence since the mid-1800s and they are Eu Yan Sang and Ghee Hiang. The founders originated from China and setup medical stores, soy sauce production and pastries shop when they first came to Malaya during the 1800-1900s. The oldest firms, i.e. 3rd generation, have the largest numbers of employees – indicating impressive growth since its founding. With each generation, the increase in the number of family members has grown appreciably, most notably in 3rd generation firms like Ghee Hiang and Khong Guan.

³³In 12 out of these 17 SMEs, members of the second generation had received higher education, in areas such as pharmacy, management and marketing. During my interviews with them, they mentioned that they saw what they felt were old patterns of production which hardly matched ever-changing consumer consumption behaviour, particularly the growing demand for convenience food.

³⁴ Interviews were conducted with senior management or family members of food production firms. Tatawa Industries mentioned R&D in food technologies to develop new products such as Japanese mooncakes and Tianje mooncakes (interview on 19.10.2011, 3-4pm). Besfomec mentioned that the combination of traditional remedies and a scientific medication approach was essential to add value and improve their herb essence products (interview on 12.12.2011, 1-3pm).

Table 5.1: Profile and Organizational Changes in Family SMEs in Food Manufacturing across Generations

Family Enterprises/ Business Nature	Year incorporated / Generation	Annual Sales (RM million)	Number of Employees	Number of Family Members	Number of Managers	Number of Branches / Outlets	Number of Equipment	Number of New Products
1. Eu Yan Sang (Chinese Herbs)	1842 / 3 rd	1-500	30-600	20-100	3-50	1-200	1-179	+150
2. Khong Guan (Biscuits)	1937 / 3 rd	2-330	25-450	10-130	5-28	1-21	2-185	+80
3. London Biscuit (Biscuits)	1994 / 2 nd	10-100	50-470	5-40	5-40	1-5	2-50	+60
4. Tatawa (Biscuits)	1981 / 2 nd	5-39	20-200	6-50	4-40	1-2	1-30	+50
5. Laksamana Usaha (Noodles)	1975 / 2 nd	1-30	10-120	8-40	2-10	0	2-20	+30
6. TPC Plus (Eggs)	1976/ 2 nd	5-28	20-330	5-35	2-8	0	2-18	+5
7. Vit Makanan (Noodles)	1975 / 2 nd	2-25	15-300	8-67	2-10	0	8-170	+30
8. Besfomec (Chinese herbs)	1948 / 3 rd	1-20	8-180	8-60	3-11	1-3	2-45	+40
9. King's Confectionery (Cakes & breads)	1977 / 2 nd	1-20	10-320	9-70	2-15	1-80	5-230	+80
10. Baker's Cottage (Cakes & Breads)	1994 / 3 rd	2-19	20-110	10-30	3-7	1-30	8-180	+55
11. Ghee Hiang (Sesame oil & biscuits)	1865 / 3 rd	0.5-18	8-105	20-55	2-10	1-3	3-20	+40
12. Kum Thim (Soy sauce)	1970 / 2 nd	1-15	30-50	10-35	1-7	1-3	5-15	+47
13. KLT Food (Restaurant)	1972 / 2 nd	1-8	5-100	8-58	3-20	1-6	1-10	+25
14. Red Horse (Cordials)	1964 / 2 nd	0.3-8	6-100	10-18	2-5	1-3	3-12	+20
15. Hei Hwang (Coffee)	1975 / 2 nd	0.7-6	10-30	8-15	2-7	1-2	2-30	+30
16. Eng Hup Seng (Sesame oil)	1987 / 2 nd	0.2-5	5-25	3-10	2-7	0	2-38	+33
17. Regent Food (Peanuts)	1981 / 2 nd	0.2-4	5-50	6-10	2-5	0	2-8	+19

Source: Annual company records from Companies Commission of Malaysia

Since a number of these family SMEs were founded during the early half of the last century, they have experienced generational shifts but their tacit knowledge remained in spite of these changes. The growing numbers of products they now produce are based on their tacit knowledge in making traditional food or remedies passed down by the founder. For example, a majority of the Chinese herbs and essences products from Besfomec are produced based on the founder's ideas and knowledge of traditional Chinese medical practices. Kum Thim, KLT Food and Hei Hwang transformed the founders' original production methods to create new products that suit local tastes such as Ipoh white coffee and health beverages.

Table 5.1 also lists those that focus on golden brand achievement and recognition such as Eu Yan Sang (EYS) and King's Confectionary which are companies that also have the largest number of branches with high family member involvement and managers to manage their outlets effectively. King's Confectionery introduced franchising during the second generation with centralized management. Eu Yan Sang established a large number of outlets locally as well as overseas such as Eu Yan Sang's hamper stores, TCM (Traditional Chinese Medicine) Clinics, Health Cite SPA, Zun Kitchenette and Yen Mart. Firms that have well-known household brands, such as EYS, Vit Makanan, Ghee Hiang, Khong Guan, King's Confectionary and Baker's Cottage, have also invested extensively in equipment, indicating a focus on R&D to produce a large number of different products with different packaging. Laksamana Usaha, TPC, Vit Makanan, Eng Hup Seng and Regent Food try to maintain their headquarters in a single location without establishing any branches and subsidiaries, ensuring strict control of knowledge of their food production methods.

5.4 Brief History, Family Tree and Family Role in Food Production


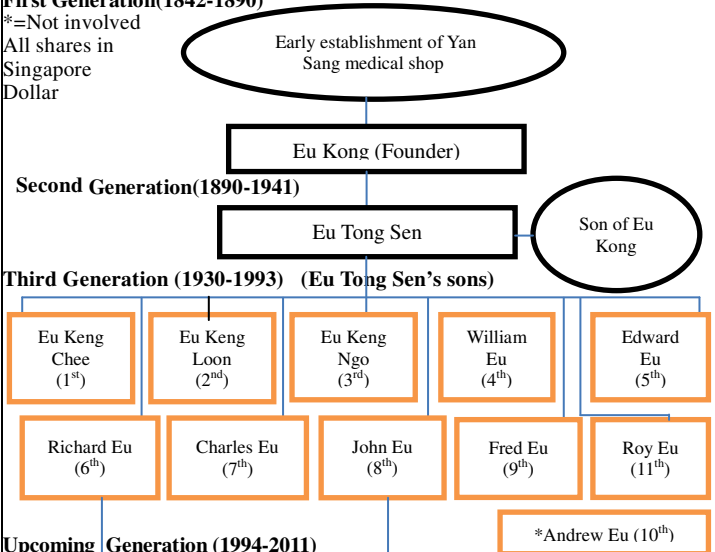





The evolution of the 17 family SMEs from the time of their incorporation is contained in Table 5.2. This table is adapted from Chandler's business history approach to show how family enterprises overcome the advantage that first-movers have to capture a place in an oligopoly through strategic management practices. Upton and Heck (1997) provided evidence to substantiate the point made by Chandler (1962) of how family SMEs made use of "organization capabilities" to keep pace with industry changes and evolve from a hierarchical organization to a flattened organization by incorporating professional managers³⁵. Such a business approach helps indicate how investment in equipment contributes to product development – a tangible way of seeing the codification of tacit knowledge to create value in different forms over generations.







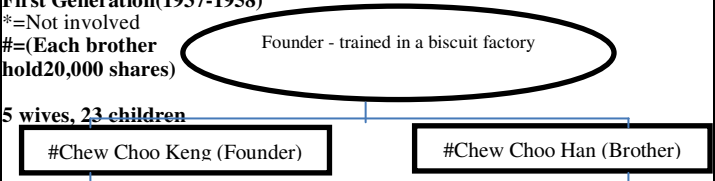
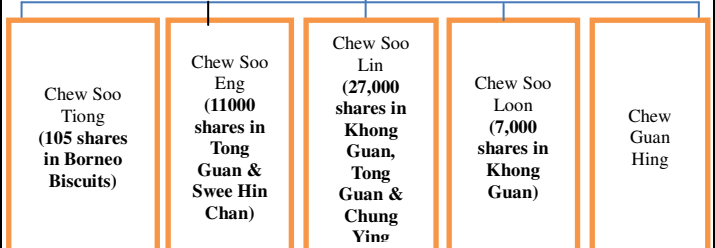

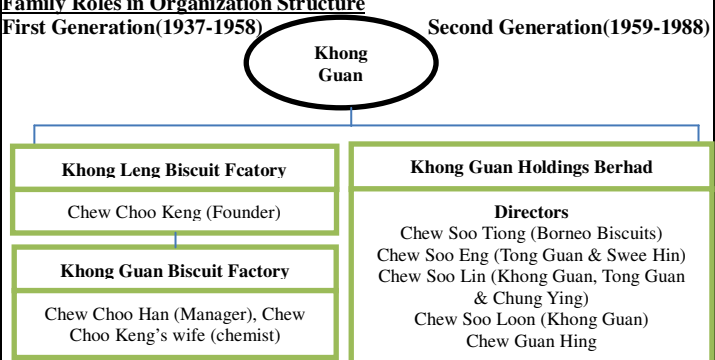

The first generation in food production is strongly associated with closely-held equity ownership and control over decision-making. The founders' heirs, particularly after they acquire tertiary education, assume the role of decision-makers to create new retail channels (marketing), decide who to hire (management), and determine what kind of new food products to create (manufacturing). Differences between generations about managerial styles would influence strategic planning and are particularly evident if the founder is not fully retired though he has relinquished control to the second or third generation³⁶.








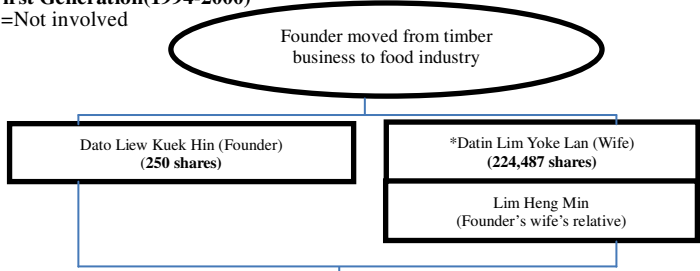
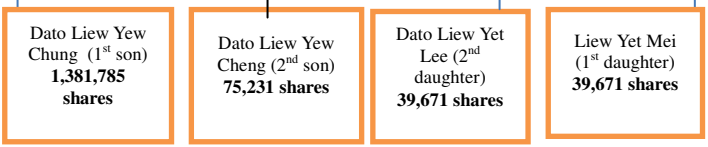
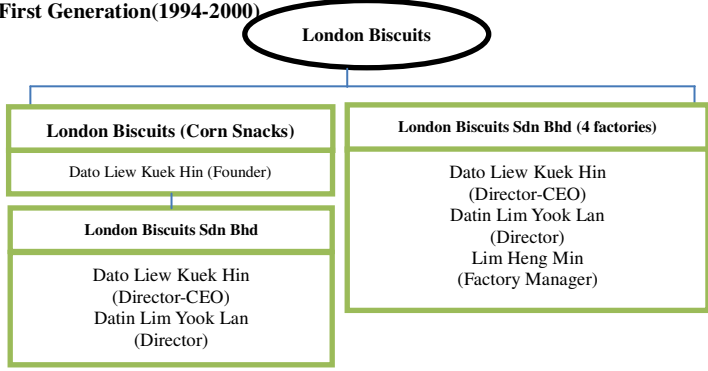

³⁵SMEs with more than 150 employees were classified as medium and large-scale enterprises. Categorizing SMEs into micro, small or medium enterprises can be based on a SMEs's assets, volume of sales or total employment who worked in the SMEs.

³⁶ In the case of Red Horse and Regent Food, these firms still have the same organization structure where the top management leads, with little decentralization of authority. These firms' forte is concentrate juice beverages and peanuts, products they have been producing since the time of their establishment in 1964 and 1981 respectively.

Table 5.2: Brief History and Tacit Knowledge Transformation in Food Production

Business Nature	Establishment	Brief History, Family Tree and Family Role in Food Production
<p>Eu Yan Sang (Large Scale Enterprise) (Ready to Buy Products) (Chinese Herbs)</p> <p>Product Manufacturer First Generation (1842-1890)</p> <p>Chinese herbs medical shop sell imported herbs from China</p> 	<p>1837-2011 (3rd Generation)</p>	<p>Brief History</p> <ul style="list-style-type: none"> - Founder established Yan Sang Medical shop (Gopeng, Perak) in 1879. - During the second generation, Eu Tong Seng inherited the family business as the eldest son. The firm flourished and expanded rapidly within Malaya (1906), into Hong Kong (1909), Singapore (1910) and China (1920). Established the Eu Yan Sang name. - Incorporated Eu Yan Sang (Singapore) in 1957, Eu Yang Sang (Malaya) in 1959 with retail shops and listed as Eu Yan Sang Holding in 1973. - Lum Chang Holdings acquired a majority stake (1990). Eu Yan Sang tried to conduct a joint-venture with UK-based Oxford Natural Products PLC to develop pharmaceutical and nutraceutical products (1995); collaborated with Chinese University of Hong Kong to develop MenoEase pills (2002); promoted clinic consultation (2001) and practiced good agronomics for herbs (2008). - Knowledge handed down from Chinese herbs trading to healing treatments by establishing retail shops, TCM products and clinics. <p>Family Tree</p> <p>First Generation (1842-1890) *=Not involved All shares in Singapore Dollar</p>  <p>Second Generation (1890-1941) Packaged herbs cater to ethnic Chinese markets in Malaysia, Hong Kong and Singapore</p>  <p>Third Generation (1930-1993) Eu Yan Sang capsules and pills in hygienic packaging for export</p>  <p>Upcoming Generation (1994-2011)</p> <p>New pharmaceutical products created after joining forces with British-based company.</p>  <p>Hamper and gifts with impressive packaging.</p>  <p>Good agronomic practices for TCM healing products.</p> 
		<p>Family Roles in Organization Structure</p> <p>First Generation (1842-1890) EYSH : EYS Holdings Ltd EYSIH : EYS International Holdings Pte Ltd</p> <p>Second Generation (1890-1941) EYSHK: EYS Hong Kong Ltd Ex : Executive</p> <p>Third Generation (1930-1993) Eu Yang Sang International Ltd</p> <p>Upcoming Generation (1994-2011) Eu Yan Sang Corporation</p>

<p>2.Khong Guan (Large Scale Enterprise) (Ready to Eat Products) (Biscuits)</p> <p>Product Manufacturer First Generation (1937-1958)</p> <p>Biscuits supplied to sundry shops and biscuits kept in metal tins.</p>  <p>Second Generation (1959-1988)</p> <p>Assorted biscuits manufactured using new flour milling technology.</p>  <p>Access to Australian Arnott's biscuit's formula to produce wafers.</p>  <p>Third Generation (1989-2011)</p> <p>Aims to become the second most popular biscuit brand in China, due to taste suitability and growing brand recognition</p>  <p>Biscuit products cater to US and European private labelling.</p>  <p>New product development involving crackers and snacks; shifting from western markets to Japanese and Korean markets.</p> 	<p>1937-2011 (3rd Generation)</p> <p>Brief history -Founder started out as a trainee in a biscuit factory owned by Tan Kah Kee. Worked in Ipoh from 1842 to 1879. Founder worked in a rubber factory (1938), soap factory (1939), coconut oil and charcoal trading (1940) and rice and salt trading (1942). He invited his wife, trained as a chemist, and brother, Chew Choo Han, an engineer, to open Khong Guan Biscuit factory in Paya Lebar, Singapore with 300 workers (1950). -Khong Guan opened factories in Singapore (1959), Butterworth (1954), Seremban (1959) and Kota Bharu (1960). Exported to Hong Kong and the UAE. -In the second generation, Khong Guan ventured into flour milling (1960), Tanjong Rhu mill (1964), boosted capacity (1970) and listed on Malaysia's stock exchange (1972). -Khong Guan signed an agreement with Australian Arnott's biscuits to gain access to a production formula (1974). Began a biscuit manufacturing enterprise in China (1980), USA (1984) and Japan (1988) with 60 subsidiaries. Three core companies are Khong Guan Flour Mill, Khong Guan Holdings and United Malaya Flour Mill. -In third generation, Khong Guan shifted to investment holdings and condominium projects (1989), diversified into related industries: cocoa beans, corn flour (1990) and become the second most popular brand in China (1993).</p> <p>Family Tree First Generation(1937-1958) *=(Not involved #=(Each brother hold20,000 shares)</p>  <p>Second Generation(1959-1988) (Chew Choo Keng's Son)</p>  <p>Third Generation(1989-2011) (Choo Keng and Choo Han's Grandsons)</p>  <p>(Outsider manager/director) (Owned 5,500,000 shares of each members)</p> <p>Family Roles in Organization Structure First Generation(1937-1958) Second Generation(1959-1988)</p>  <p>Third Generation (1989-2011)</p> 
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<p>3.London Biscuit (Large Scale Enterprise) (Ready to Eat Products) (Biscuits)</p> <p>Product Manufacturer First Generation (1994-2000)</p> <p>Family business in timber industry, dealing with construction and furniture trading</p>  <p>Corn-based snacks and biscuit cup products with different flavors</p>   <p>Second Generation (2001-2000)</p> <p>Disney character licensing in London Swiss roll to penetrate the Southeast Asian market</p>  <p>Halal certificate for the Mizu brand biscuits series to enter the UAE market</p>  <p>Khee San candies and sweets with tropical fruits using latest technology. Became the largest candy manufacturer in Malaysia</p>  <p>New product development focused on snacks category like potatoes chips sold at a competitive price</p> 	<p>1994-2011 (2nd Generation)</p> <p>Brief History</p> <ul style="list-style-type: none"> -Started out as a family timber business. -Founder transformed the timber business to a food producer after acquiring a corn-based snack food factory, London Biscuits (Johor) Sdn Bhd (1981). -Purchased first factory producing tea cup biscuits (1995), second factory pie cakes (1998), third & fourth factories Swiss rolls (2000). Awarded the best enterprise and ISO in 2001, listed on the second board (2002) and the main board (2003). -During the second generation, sons and daughters rebuilt a customized warehouse and installed robotic arms to achieve exports award (2004); acquired Kinross Food-pie cakes to obtain Disney character licensing (2005); acquired a 25% stake in Lay Hong Berhad, poultry farming (2006); acquired Khee San Berhad, the biggest candy manufacturer (2007). - Customized MRP System (2008). installed a twist wrap packaging machine (2009) and launched potatoes chips in the snack category (2010). - Aimed to be the biggest capacity cake line in Malaysia and Southeast Asia. Acquired TPC Plus and is the biggest McDonalds (Malaysia) appointed eggs producer. -Has become the biggest roll cakes products producer, through acquisition. <p>Family Tree First Generation(1994-2000) *=Not involved</p>  <p>Second Generation(2001-2011) (Liew Kuek Hin's Children)</p>  <p>Family Roles in Organization Structure First Generation(1994-2000)</p>  <p>Second Generation (2001-2011)</p> 
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4. Tatawa
(Medium Scale Enterprise)
(Ready to Eat Products)
(Biscuits)

Product Manufacturer
First Generation(1994-2011)

Traditional “Yong Sherng” wedding cakes and classical rice dumpling pastries house.



Private labelling ranges from domestic to international (Southeast Asia, UAE & Europe) marketplaces.



Second Generation (2001-2011)

Tianje mooncakes adopted from previous experience; popular among Japanese customers.



Tatawa nutrition bars and snacks resulted from R&D in the food technology department.



Tatawa hamper set specially packed for celebratory events and distributed in major shopping complexes in Malaysia



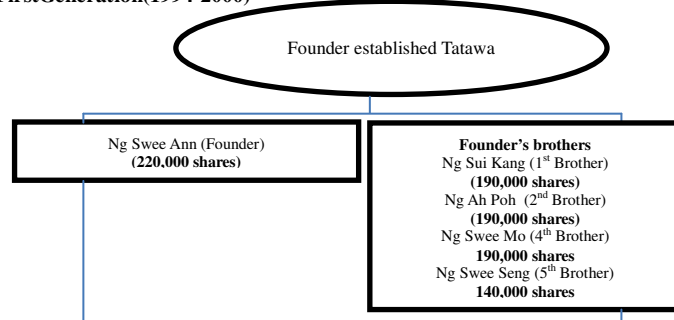
1981-2011
(2nd Generation)

Brief History

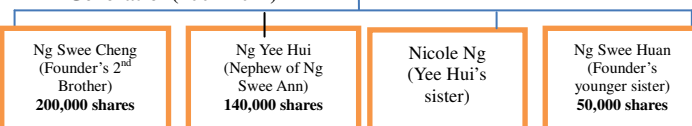
-Began as a traditional biscuit manufacturer in 1952.
-Moved from a home-based business and received order lists from Japanese customers (1990) and established Tatawa biscuits industries in 1994.
-Tatawa firstly exported to Asian markets (1995); recognized by Japan as private labelling and exported to the USA (1996) and European markets (1998).
-During the second generation, the founder brought in her nephew and niece, involved in product development of western cookies combined with Southeast Asian flavors such as Pineapple Cookies and Raisin & Chocolate Chip Cookies. Won the "Gold" Medal award (2000), Best Trade Name (2001) and the best 50 Enterprises (2001, 2004 and 2006). Tatawa also won the "Golden Bull Award" (2004) and "Industry Excellence Award" (2008) for outstanding achievement in export trading to up to 40 countries.
-The second generation with a rich marketing background continued to distribute products in shopping malls, established a food technology department (2009), ventured into Japanese Tianje mooncakes (2008) and healthy bars and snacks (2010).
-Knowledge from traditional biscuits production has been preserved with private labelling for export trading adopted from Japanese technology.

Family Tree

First Generation(1994-2000)

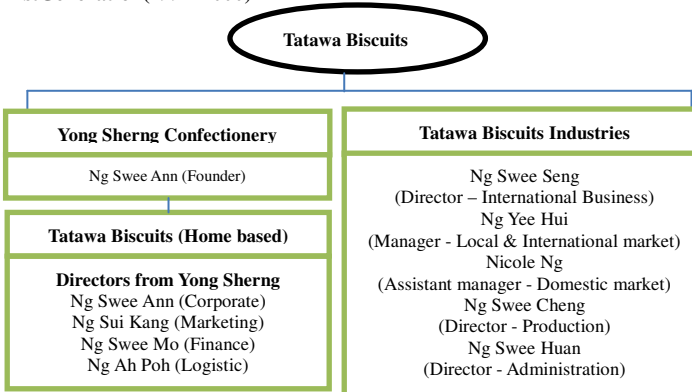


Second Generation(2001-2011)










Family Roles in Organization Structure

First Generation(1994-2000)



Second Generation (2001-2011)



<p>5.King's Confectionery (Medium Scale Enterprise) (Ready to Eat Products) (Cakes and Breads)</p> <p>Product Manufacturer First Generation Part I (1960-1973) Malaysian Chinese Hainanese food and aromatic coffee; ideas adopted during the British colonial period</p>  <p>Mouth-watering desserts sold through hawker stalls</p>  <p>First Generation Part II (1973-2002) King's cakes and pastries with a daily fresh nutritional bakery concept</p>  <p>First to learn the Portugese egg tart from Macau, later sold in Malaysia</p>  <p>Second Generation (2003-2011) Opens outlets in Dhaka, Bangladesh to target the Indian market</p>  <p>Highlights the tradition of Pak Hailam Kopitiam lifestyle café</p>  <p>Private labelling such as muffins (Firefly) and Sauces (Ayamas)</p> 	<p>1977-2011 (2nd Generation)</p> <p>Brief History -Began as a small Kopitiam business in Batu Arang, Rawang in 1960. - Wong invited his wife and daughters as helpers to serve mouth-watering Chinese dumplings and aromatic coffee, 1960-1970. -They moved from a Rawang stall to a coffee house at Jalan Sultan, KL to help his eldest daughter, Wong Yoke Khing, open her own pastry house after being trained in Coliseum Café that specialized in cakes and breads. -During the first generation, Madam Wong took care of King's Confectionery; shifting from a market business (1972) to the first shop house in Kepong (1975) and established the King's Confectionery factory warehouse (1977) to distribute pastries to all outlets in Malaysia. Later, a partnership with Carotene Oil production (1990) to produce 50 to 120 new products for healthy bakeries. -During the second generation, youngest son, LH Wong joined the business and expanded from 25 to 90 outlets; becoming the largest retail confectionery chain (1995) in Malaysia. 4 outlets established in Bangladesh (2003). Introduced Pak Hailam café (2004), frozen food (2004), muffins to Firefly (2009) and sauces for Ayamas (2010). -Knowledge has been nurtured from its traditional hawker business to seek opportunities in bakeries and ventured into retail chains and lifestyle cafés.</p> <p>Family Tree First Generation Part I (1960-1973) *=Not involved **=Resigned</p> <pre> graph TD A["*Elderly Wong opened Kopitiam stall in Rawang"] --> B["**Wong Yoke Khing (1st Daughter)"] A --> C["**Eng Man Hin (Son in Law)"] B --> D["Wong Lee Thong (2nd Brother) 672,000 shares"] B --> E["Wong Yoke Chin (3rd Sister) 315,000 shares"] B --> F["Wong Nyok Choo (4th Sister) 315,000 shares"] E --> G["Wong Lei Hoy (Youngest Brother) 798,000 shares"] </pre> <p>First Generation Part II (1973-2002)</p> <p>Second Generation (2003-2011)</p> <p>Family Roles in Organization Structure</p> <p>First Generation Part I (1937-1958)</p> <pre> graph TD A["King's"] --> B["Hailam Kopitiam"] A --> C["King's Group of Companies"] B --> D["Elderly Wong family members"] D --> E["King's Confectionery Sdn Bhd"] E --> F["Wong Yoke Khing (Director-Admin) Eng Man Hin (Director-Finance)"] C --> G["Director Wong Yoke Chin (Production and R & D) Wong Nyok Choo (Decoration and Renovation) Wong Lee Tong (Sales and Marketing)"] </pre> <p>Second Generation (2003-2011)</p> <pre> graph TD A["King's Group"] --> B["Director Wong Lei Hoy (Sales and Marketing) Wong Lee Tong (Outlet and Franchise) Wong Yoke Chin (Production and Manufacturing) Wong Nyok Choo (R & D, Decoration and Renovation)"] C["Pak Hailam Kopitiam"] --> D["Director Wong Lei Hoy 114,000 shares Wong Lee Tong 96,000 shares Wong Nyok Choo 45,000 shares Wong Yoke Chin 45,000 shares"] </pre>
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6. Laksamana Usaha
(Medium Scale Enterprise)
(Ready to Cook Products)
(Noodles)

Product Manufacturer
First Generation (1975-1990)

Traditional hand-made noodles making adopted from a traditional recipe from China



Produced “Jian Ann” yellow noodles, Kuey Teow and rice flour noodles as core products



Second Generation (2001-2011)

Utilized cleaner technology to produce Laksamana Noodles packaged to suit local noodles preparation



Transferred knowledge from noodles production to Chili Boh and sauce ingredients related to the primary business



Sought opportunities to learn new technology to produce vermicelli products with longer shelf life to explore bigger export capacity



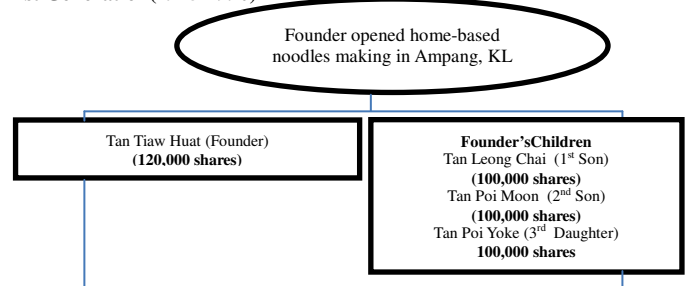
1975-2011
(2nd Generation)

Brief History

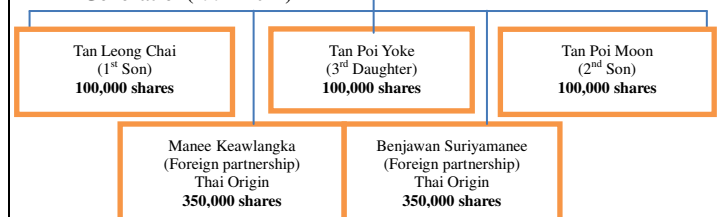
-Started from traditional noodles making since 1975 in Ampang New Village.
-Founder focused on traditional Chinese noodles making (yellow noodles) adopted from a Chinese Fujian traditional recipe.
-Moved from a home-based business to Jian Ann noodles manufacturing by implementing rice washing, cooling and mixing processes (1982).
-Upgraded to Laksamana Usaha noodles by introducing 3 core products (Yellow noodles, Kuey Teow and rice flour noodles) (1995) and distributed to local food operation chains, focusing on hawker centers and markets.
-During the second generation, the founder trained his children from being personal helpers to managers, moving to new premises in Bukit Maluri (2005), developed 30 new products (“Yee Mee” and “Laksa mee”) (1998), food ingredients (Cili Boh and Bean Curd) (2000) and Vermicelli (2002).
-The second generation created a foreign partnership in Thailand (2004); distributed noodle products to Thailand and the international market. Started to implement cleaner technology (2007) and obtained a halal certificate (2005) to penetrate the Chinese Muslim restaurant chain in Malaysia (2008).
-Knowledge has been passed down from a traditional noodles recipe to local delicacy noodles, venturing into retail-based halal food distribution.

Family Tree

First Generation (1975-1990)

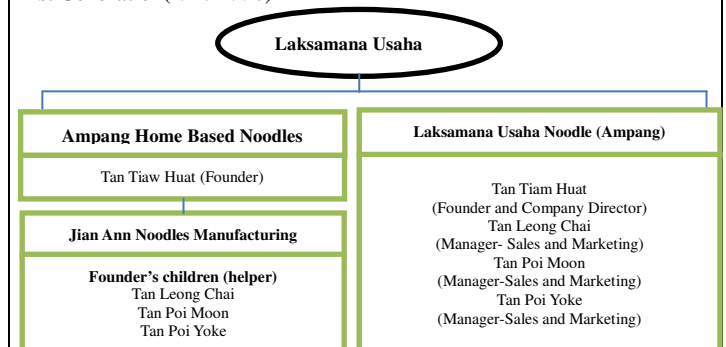


Second Generation (1991-2011)

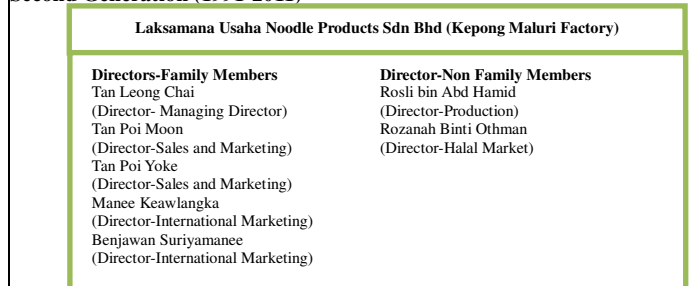


Family Roles in Organization Structure

First Generation (1975-1990)



Second Generation (1991-2011)



7. TPC Plus
(Large Scale Enterprise)
(Ready to Cook Products)
(Egg)

Product Manufacturer

First Generation (1976-1990)

Owned a traditional poultry chicken farm to produce eggs and chicken for local distribution



Produced core products, lower cholesterol omega eggs and supplies to McDonalds outlets in Malaysia



Second Generation (2007-2011)

Distribution channels expanded into confectionery chains and sold to Lonbisco



Enhanced agricultural production by adopting biotechnology to produce healthy eggs for a healthy lifestyle



Transformed into Maple Leaf organic food, focused on enzyme vinegar after being sold to Lonbisco



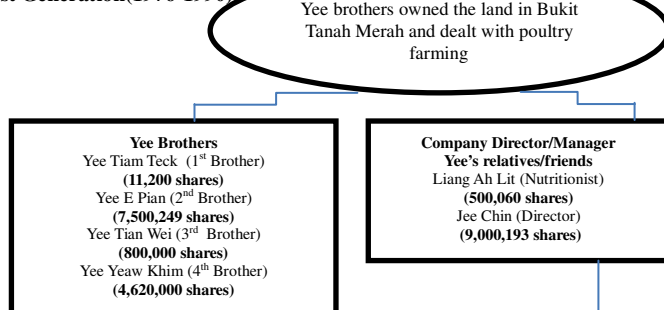
1976-2011
(2nd Generation)

Brief History

-Started from a poultry chicken farm in Bukit Tanah Merah, Melaka in 1970.
-4 Yee brothers managed the poultry farm and distributed eggs to nearby sundry shops (1976). Later, eggs production increased to 3000 daily and they started to modernize poultry farming (1980).
- Established Teck Ping Chan Agriculture Sdn Bhd (1975) and adopted technology from Italy, USA and Holland (1976). They later employed both Liang Ah Lit and Jee Chin, graduates from Taiwan-based Agricultural University, to produce lower cholesterol omega eggs (1982) and supply them to Malaysia's McDonalds (1985).
-During Yee brothers leadership, Teck Ping Chan Bhd was listed on the second board (2003) and achieved ISO 9001 1:2000 certificate (2005) and HACCP (2007) approval by MARDI, Singapore's agriculture department and USA's FDA to make sure the eggs were of the highest quality (2008).
-Teck Ping Chan Bhd ventured into the realty business (2005) and upgraded to TPC Plus with a goal of producing 60,000 to 80,000 eggs daily. However, the third generation was not interested in managing the poultry farm and Yee brothers decided to sell poultry farming to their main customer, London Biscuits Bhd in 2007. Yee brothers later established Maple Leaf organic food, dealing with enzyme vinegar adopted from knowledge learned in agricultural management from Taiwan.
-Knowledge has been upgraded from poultry chicken farming to professionalized integrated poultry farming and ventured into enzyme vinegar.

Family Tree

First Generation (1976-1990)

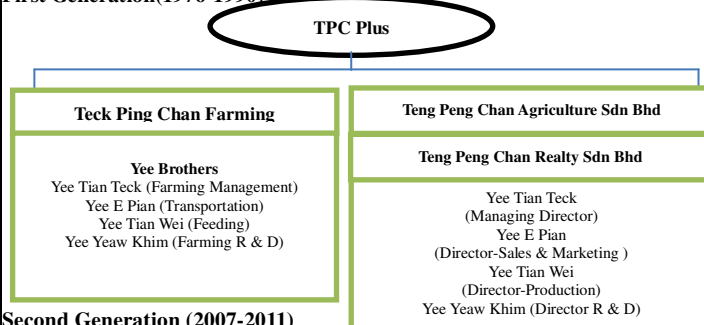


Second Generation (2007-2011) (LBB owned biggest shareholder, 26,918,000)

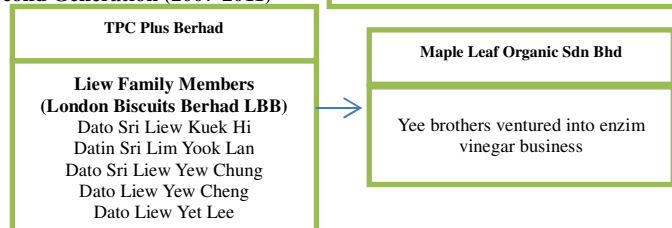








Family Roles in Organization Structure







First Generation (1976-1990)



Second Generation (2007-2011)



<p>8. Vit Makanan (Medium Scale Enterprise) (Ready to Cook Products) (Instant Noodle)</p> <p>Product Manufacturer First Generation (1975-2000) Food trader specialized in Taiwanese vegetarian food stuffs</p>  <p>Economic packed instant noodles to cater to local food operation chain</p>  <p>Produced Vit's seasoning instant noodles (vegetarian and chicken flavors)</p>  <p>Second Generation (2001-2011) Vit's Southeast Asia seasoning promotes Malaysia as part of Southeast Asia (Tom Yam, Curry)</p>  <p>Vit's Malaysian uniqueness seasoning (Duck and spicy fried seasoning) is competitive in the market</p>  <p>Vit's Malaysia Halal instant noodles to be sold at UK Tesco stores</p> 	<p>1975-2011 (2nd Generation)</p> <p>Brief History -Started from Vit Makanan (Alor Star) as a Taiwanese food trader in 1975. -Founder started out as a Taiwanese food trader (1970-1976) due to great market demand for Taiwanese vegetarian food in Malaysia. -Vit ventured into Taiwanese instant noodles production (1977) in economic packs; targeted local food operation. Steady development from small premises in Shah Alam with 8000 sq. ft. to Selayang with 33,000 square feet, installing in-house machines (1978) and aggressively expanding with the acquisition of 105,000 square feet in Rawang (1998). -Vit's noodles products ranged from the early stage of economic packed air dried noodles (1978), to instant noodles with seasoning (chicken and veggie) (1985), Southeast Asian seasoning (Curry, Tomyam) (1990) and Malaysian seasoning (Spicy fried and Duck flavor) (2000) in the second generation. -Vit used Japanese technology to operate at 75% capacity with an output of 300,000 pieces instant noodles and 70,000 air dried noodles (2001) in the second generation. Vit gained exposure through advertising promotions and road shows in university (2005). -Lai brothers planned to penetrate the UAE and South Africa (2006) and established warehouses in Johor and Perak (2008). Vit is one of five potential Malaysian SMEs to serve as UK Tesco supplier of Malaysian Halal food (2010). -Knowledge has been developed from being a Taiwanese food trader to instant noodles manufacturer with global Halal standards recognition.</p> <p>Family Tree First Generation (1975-2000)</p> <pre> graph TD A([Founder changed from trading to instant noodles manufacturer]) --> B[Lai Ah Lek (Founder) (990,00 shares)] B --> C[Lee Kim Eng (Founder's wife) (1,557,000 shares)] C --> D[Ah Khiew Sae Lin (Founder's relative)] </pre> <p>Second Generation (2001-2011)</p> <pre> graph TD B --> E[Directors (Older Generation) Lai Ah Lek (Founder) Lee Kim Eng (Founder's Wife) Ah Khiew Sae Lin (Founder's relative)] B --> F[Director (Young Generation) Ng Lap Liat (Founder's nephew) (353,000 shares) Lai Yeah Tatt (Founder's 2nd Son) (300,000 shares) Lai Yak Guan (Founder's 1st Son) (300,000 shares)] </pre> <p>Family Roles in Organization Structure First Generation (1975-2000) SQF=Square Feet</p> <pre> graph TD G([Vit Makanan]) --> H[Vit's Makanan (Kedah)-Trader] G --> I[Vit Makanan (Shah Alam) -8,000 SQF] H --> J[Directors Yee Lai Ah Lek (Founder, CEO) Lee Kim Eng (Director in Finance and administration)] I --> K[Vit Makanan (Selayang)-33,000 SQF] K --> L[Directors Lai Ah Lek (CEO, Sales and Marketing) Lee Kim Eng (Finance Director) Ah Khiew Sae Lin (Administration Director)] </pre> <p>Second Generation (2001-2011)</p> <pre> graph TD M[Vit Makanan (KL) Sdn Bhd in Rawang - 105,000 SQF] --> N[Main advisor Lai Ah Lek, Lee Kim Eng and Ah Khiew Sae Lin] M --> O[Directors Lai Yak Guan (Production and Engineering) Lai Yeah Tatt (Business Development-Local & International) Ng Lap Liat (Assistant Financial Director)] </pre>
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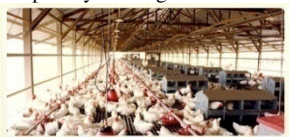
<p>9. Besfomec (MediumScaleEnterprise) (Ready to Buy Products) (Chinese Herbs)</p> <p>Product Manufacturer First Generation (1948-1974) Imported traditional Chinese herbs such as ginseng and cordyceps from China</p>  <p>Second Generation (1975-2000) Produced Besfomec chicken essence as the company's prime product blended with traditional herbs</p>  <p>Explored bird nest essence with good manufacturing practice (GMP)</p>  <p>Produced vegetarian and dietary supplements from essence products</p>  <p>Third Generation (2001-2000) Promoted health tonic products with clinical research</p>  <p>Besfomec health supplement products in hamper gift packaging targeted export trading</p> 	<p>1948-2011 (3rd Generation)</p> <p>Brief History -Started as Xin Chun Woh Chinese herbal store in Melaka in 1948. -Founder came from China and established a Chinese medical hall in Melaka. Brought along his first son, Low Poo Chin, to work as a store assistant to analyze the pros and cons of Chinese herbal healing remedies. -Low Poo Chin's managerial style contradicted the founder's who was risk adverse and old fashioned. Low Poo Chin started to produce chicken essence as their core business besides medical hall (1974). -During the second generation, Low Poo Chin assisted his brothers in establishing an essence factory in Alor Gajah, Melaka and produced 60,000 bottles of chicken essence daily (1984). They were named Besfomec Industries with GMP (Good Manufacturing Practice) (1998) in line with government efforts to promote biotechnology and pharmaceutical industries. -The products included chicken essence (1986), bird nest essence (1990) and fish and vegetarian essence (1995). The products were later distributed to the Oversea Chinese market (Singapore, Hong Kong, Macau and China) since Low Poo Chin conducted networking in Macau and distributed to Hong Kong. Meanwhile, Low Poo Chin began choosing the best Chinese herbs from China through stringent quality checking in Hong Kong. -During the third generation, Low Poo Chin invited his eldest son, Low Chew Ping, a pharmacy graduate from Australia, to combine western-based pharmaceutical ideas with local Chinese herbal remedies (2001). As a result, health tonics (2005) and traditional herbs (2008) were strongly promoted and have been scientifically proven. -Knowledge has been developed to fill the gap between traditional Chinese herbal remedies and western medication through essence based health supplements.</p> <p>Family Tree First Generation (1948-1974)</p> <pre> graph TD A([Early establishment of the "Xin Chun Woh" Chinese herb store]) --> B[Low Ting Sin (Founder from China)] A --> C[Low Poo Chin (Founder 1st Son) (420,000 shares)] </pre> <p>Second Generation (1975-2000) (Low Poo Chin's brothers)</p> <pre> graph TD C --> D[Lau Pak Kuen 1st brother (100,000 shares)] C --> E[Lau Pak Siong 2nd brother (100,000 shares)] C --> F[Lau Pak Wah 3rd brother (90,000 shares)] C --> G[Lau Pak Kong 4th brother (90,000 shares)] </pre> <p>Third Generation (2001-2011)</p> <pre> graph TD D --> H[Low Chew Ping Low Poo Chin's son (100,000 shares)] E --> I[Low Chih Pin Low Chew Ping Nephew (50,000 shares)] F --> J[Low Yong Pin Low Chew Ping Nephew (50,000 shares)] </pre> <p>Family Roles in Organization Structure First Generation (1948-1974)</p> <pre> graph TD A([Besfomec]) --> B[Chop Xin Chun Who] A --> C[Besfomec Industries Sdn Bhd] </pre> <p>Second Generation (2001-2011)</p> <pre> graph TD D[Besfomec Group of Companies] --> E[Directors] E --> F[Low Chew Ping (Pharmacist and International Marketing)] E --> G[Low Chih Pin (Production and Packaging)] E --> H[Low Yong Pin (R & D)] </pre>
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10. Baker's Cottage
(Large Scale Enterprise)
(Ready to Eat Products)
(Cakes and Breads)

Product Manufacturer

First Generation (1979-1993)

Involved in day-old chicken rearing and poultry farming activities



Enhanced feed mill technology and established overseas plants and prepared for food processing



Second Generation (1994-2000)

Ventured into Ayam A1 food corporation and chicken chop with a broiler slaughtering plant in Sungai Buloh



Repacked for better frozen and chilled processed chicken products to target export trading



Third Generation (2001-2000)

Ventured into the confectionery business to produce a variety of pastries and bakeries



R&D to produce western cookies and cakes to utilize resources from the Leong Hup group



Slowly changed their core products from bakeries to a mooncakes series



1994-2011
(3rd Generation)

Brief History

-Started with day-old chick farming in Muar, Johor in 1960.

-Founder developed into modern integrated poultry farming in Malaysia by applying vertical integration strategy (1970) in all facets of the chicken business. The name Leong Hup Poultry Framing (1975) was later changed to Leong Hup Contract Farming (1976).

-During the second generation, Leong Hup Berhad was listed on the Malaysian main board (1990) and became part of the Grand Parent stock farms (1988). They were involved in broiler day-old chicks, contract farming and retailing by embarking in layer farming with poultry medicine and vitamins (1995). The group had a well-organized plant, producing 34,895 chickens a day in Singapore (1995), selling parent stock in the Philippines (1992) and Indonesia (1996).

-The group later ventured into Ayam A1 food corporation and chicken chop (1990). Inspired by the Lau family to run the Baker Cottage confectionery retail chain in Malaysia (1994). They later ventured into the TBC restaurant retail chain (1998).

-During the third generation, they utilized resources to avoid high transactions and hidden costs to purchase eggs, flour and chicken. The Lau family opened more outlets, from 2 to 26 outlets in Malaysia (1994-2004).

-The third generation conducted R&D in food processing to produce buns and pastries (1996), counter cakes (1998), ice-cream cakes (1999), mooncakes (2000) and festive cookies hampers (2006). Awarded for best mooncakes from traditional Chinese mooncakes (2003) to Tiramisu and Green Tea mooncakes (2006) and black charcoal mooncakes (2008).

-Knowledge has been adopted from a vertical integration strategy to transform from chick farming to food processing and confectionery retail chains.

Family Tree

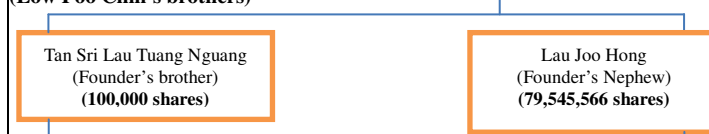
First Generation (1979-1993)

Directors of Leong Hup Group Berhad

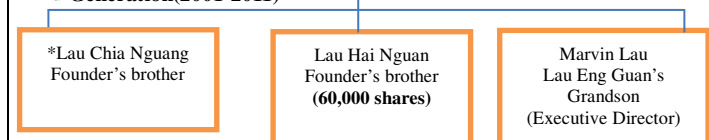
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Second Generation (1994-2000)
(Low Poo Chin's brothers)



Third Generation (2001-2011)

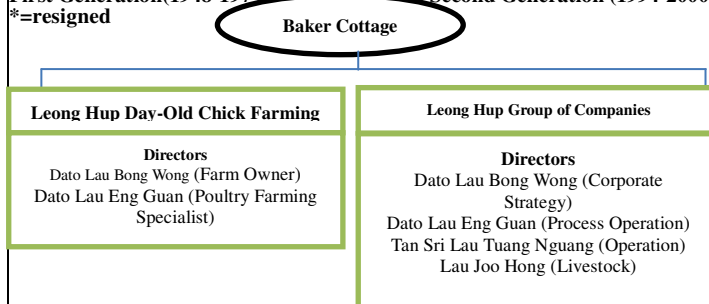


Family Roles in Organization Structure

First Generation (1948-1974)

*=resigned

Second Generation (1994-2000)



Third Generation (2001-2011)



11. Ghee Hiang

(Small Scale Enterprise)
(Ready to Cook Products)
(Sesame oil and Biscuits)

Product Manufacturer

First Generation (1856-1925)

Hometown recipes from China produced oriental pastries and sesame oil by inviting a chef from China



Second Generation (1926-1987)

Ghee Hiang Southeast Asian food production includes Tau Sar Piah, sesame oil and instant coffee



Third Generation (2001-2000)

Emphasizing tradition across 3 generations; rebranding Ghee Hiang products as Penang heritage



Conducted R&D in sesame seeds related health supplements and medicine



1865-2011
(3rd Generation)

Brief History

-Started as an oriental pastries shop serving Chinese immigrants in Weld Quay, Penang (1856), led by famous pastry chef, Teng Ku from China. Established Ghee Hiang at Beach Street, Penang (1860). Baby brand sesame oil was produced (1900); widely used in food, dining, healthcare and industrial products.

-Teng Ku's wife sold the business for a few thousand dollars to 4 friends, Yeap, Yeoh, Ch'ng and Ooi families (1926) when Teng Ku passed away. Only Ooi and Ch'ng carried on the business, taking stakes from the Yeap and Yeoh families (1990) and became the largest shareholders. The products ranged from Tau Sar Piah (1856) to sesame oil (1930), coffee powder (1960) and Penang food stuff (1990).

-During the third generation, Ghee Hiang divided into Ghee Hiang Holdings (realty and investment) and Ghee Hiang Manufacturing (food processing). Ghee Hiang Holdings developed Ghee Hiang garden (1994) while Ghee Hiang Manufacturing produced sesame oil products to penetrate Hong Kong (1990), Singapore (1993) and Indonesia (1995) markets.

-Ghee Hiang conducted a collaborative study with University Science Malaysia (USM) to produce medicine from sesame seeds (2009).

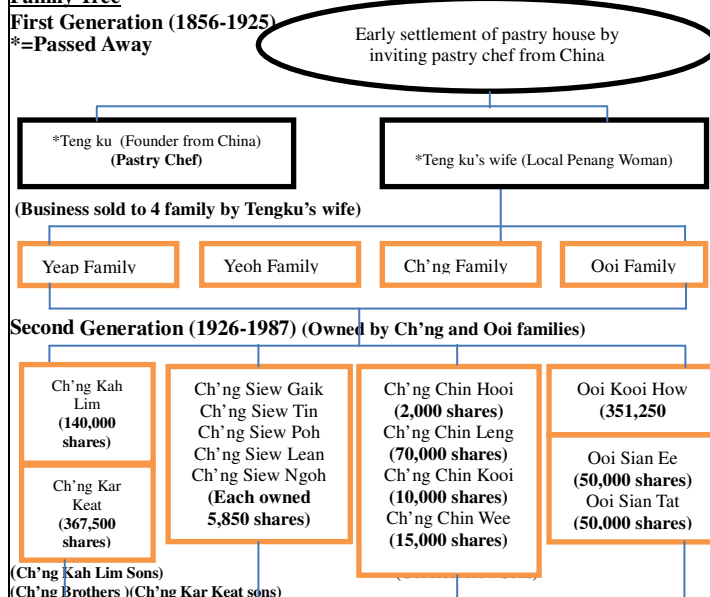
-3rd and 4th generations highlighted heritage food and built a museum in Penang.

-Knowledge has been handed down from oriental pastries to second generation in sesame oil and the third generation, sesame seed medicine.

Family Tree

First Generation (1856-1925)

*=Passed Away



Second Generation (1926-1987) (Owned by Ch'ng and Ooi families)

(Ch'ng Kah Lim Sons)
(Ch'ng Brothers) (Ch'ng Kar Keat sons)

Third Generation (1988-2011)



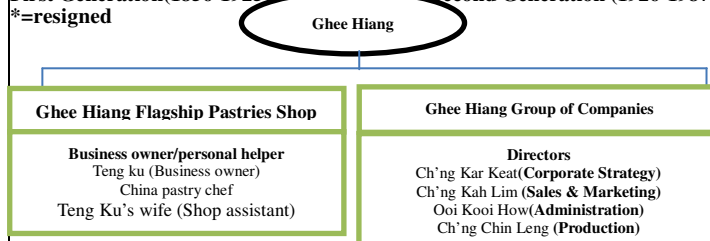
(Ooi Kooi How grandson)
(Ch'ng Kah Lim grandsons)

Family Roles in Organization Structure

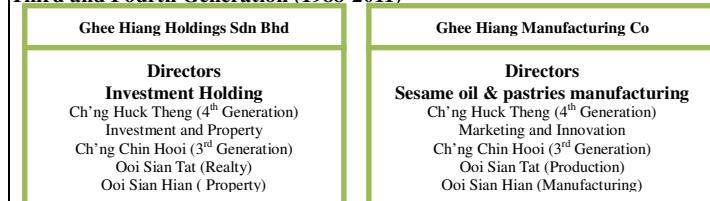
First Generation (1856-1925)







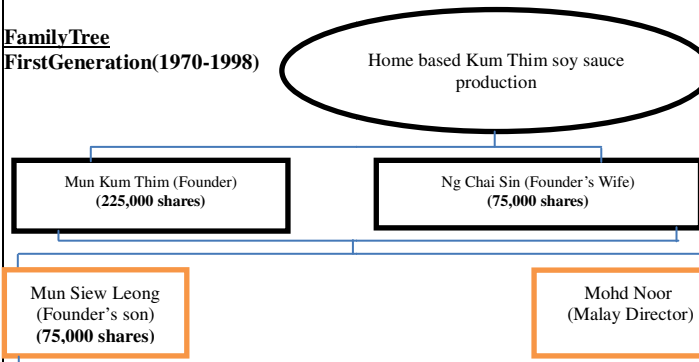
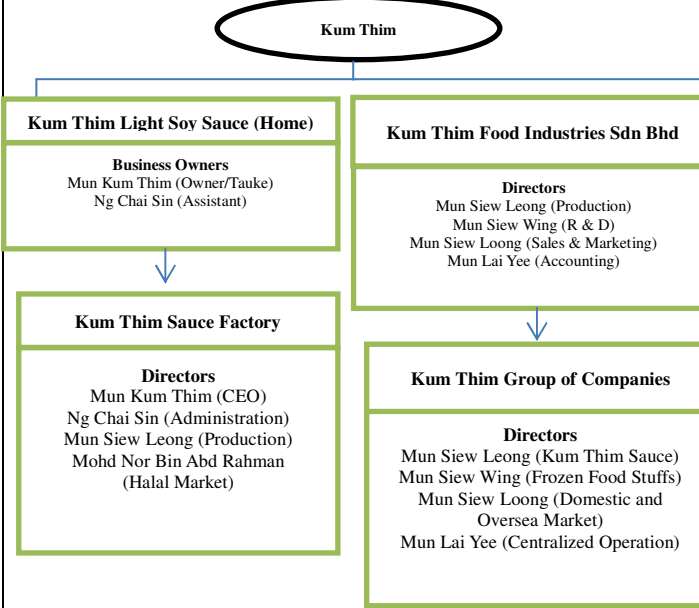
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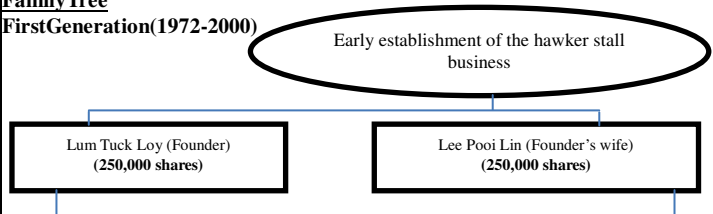

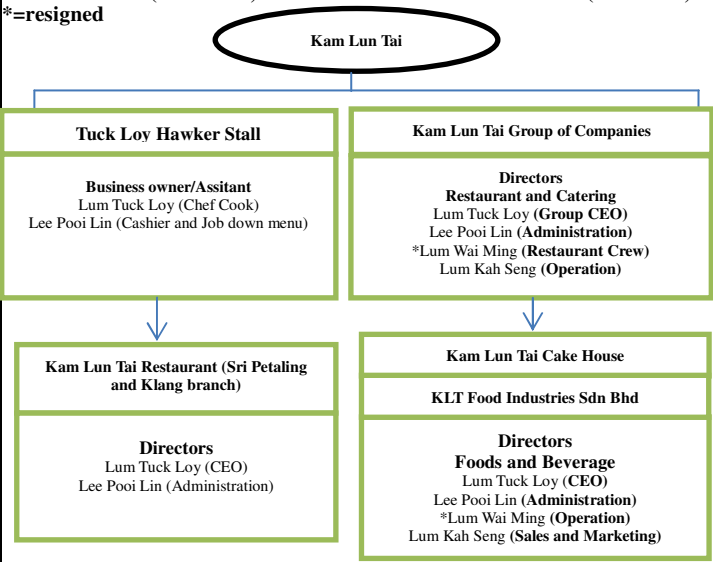
Second Generation (1926-1987)









Third and Fourth Generation (1988-2011)








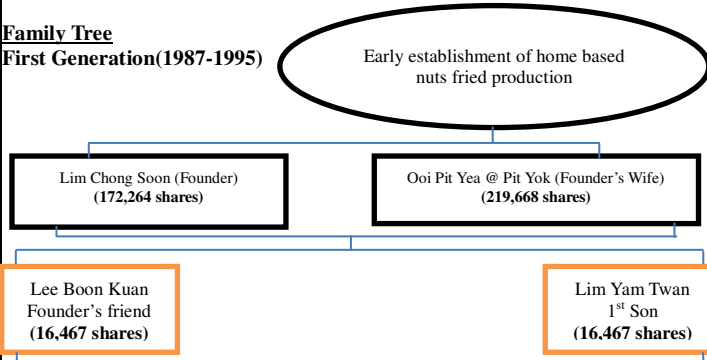
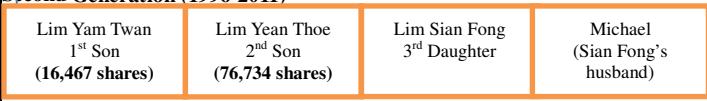
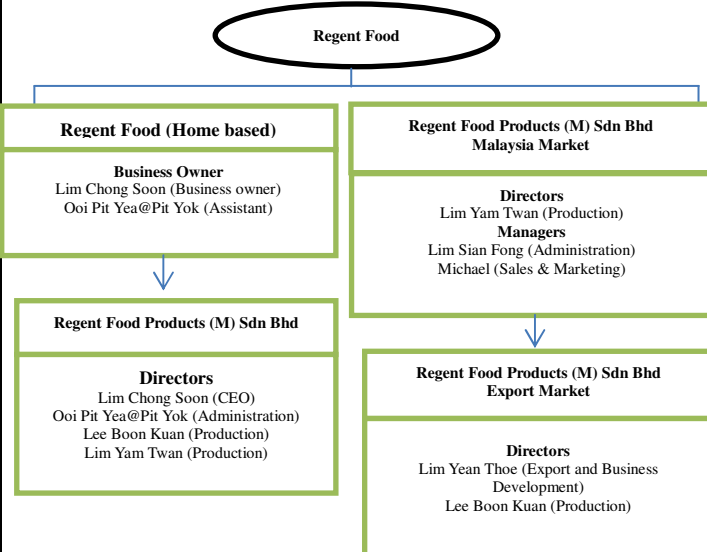
<p>12. Kum Thim (Small Scale Enterprise) (Ready to Cook Products) (Soy Sauce)</p> <p>Product Manufacturer First Generation (1970-1998) Produces Kum Thim light soy sauce to be consumed in local restaurants and hawker centers</p>  <p>Upgraded sauce varieties, distributed to seafood restaurants and food operation retail chains</p>  <p>Developed specific sauces to suit local tastes in Malaysian food preparation</p>  <p>Second Generation (1999-2011) Repacked halal sauces and ingredients to serve Malaysian hotel and food operator chains</p>  <p>Ventured into frozen food and Dim Sum to serve local markets and export trading</p>  <p>Produced core products in Yee Sang packaging to serve local restaurants and supermarkets in Malaysian cultural food preparation</p> 	<p>1970-2011 (2nd Generation)</p> <p>Brief History -The founder worked in a local restaurant as a trainee when aged 15 (1960) and later sought soy sauce-making techniques from the chef familiar with oriental cuisine in steamed dishes (1968). Light soy sauce is a main food ingredient. The sauces were later distributed to restaurants and hawker centers (1970). - Founder established Kum Thim sauce production in a shop lot by adopting the founder's name as a golden trademark with his wife (1975). -They produced oyster sauce (1980), vinegar (1982), chili sauce (1985) and seafood sweet sauce (1990) and later upgraded into Kum Thim food Industries (1992) by modernizing technology to brew tasty sauces that comply with food safety requirements and recognition in Halal certificates (1997), HACCP by IEC, UK & Keris Award (2002) and Golden Bull Award (2003). - In the second generation, Mun Siew Loong graduated from an Australian university, helped to distribute Kum Thim sauces to 4 and 5 star hotels (1998), club houses (2000), restaurant chains (2002) and food operations (2005). - The second generation focused on R&D to produce Yee Sang preparation (2002). At the same time, their products were able to penetrate into Hong Kong food retail chains (2003) and ventured into Halal Dim Sum & frozen food (A&K Food industries) (2005), food processing (Thye Who factory) of non-halal products (2006) and sauces (Jiang's Group in China) focusing on oriental sauces (2008). -Knowledge has been developed from traditional light soy sauce production to sauce varieties and ventured into Yee Sang packaging, frozen food and Dim Sum.</p> <p>FamilyTree First Generation (1970-1998)</p>  <p>Second Generation (1999-2011)</p> <table><tr><td>Mun Siew Leong (1st son) (75,000 shares)</td><td>Mun Siew Wing (2nd Son) (50,000 shares)</td><td>Mun Siew Loong (3rd son) (50,000 shares)</td><td>Mun Lai Yee (4th Daughter) (25,000 shares)</td></tr></table> <p>Family Roles in Organization Structure First Generation (1970-1998) Second Generation (1999-2011)</p> 	Mun Siew Leong (1st son) (75,000 shares)	Mun Siew Wing (2 nd Son) (50,000 shares)	Mun Siew Loong (3 rd son) (50,000 shares)	Mun Lai Yee (4 th Daughter) (25,000 shares)
Mun Siew Leong (1st son) (75,000 shares)	Mun Siew Wing (2 nd Son) (50,000 shares)	Mun Siew Loong (3 rd son) (50,000 shares)	Mun Lai Yee (4 th Daughter) (25,000 shares)		

<p>13. KLT Food (Medium Scale Enterprise) (Ready to Eat Products) (Restaurant and Food Processing)</p> <p>Product Manufacturer First Generation (1972-2000) Learnt and made Hong Kong and Malaysian Dim Sum</p>  <p>Hand-made Malaysian Chinese cuisine solely based on founder's ideas and cooking experience</p>  <p>Golden brand Kam Lun Tai mooncakes, a combination of Hong Kong and Malaysian styles</p>  <p>Second Generation (2001-201) Focused on food processing to produce KLT Japanese Mochi, egg rolls and sauces</p>  <p>Ventured into noodles production and established a luxurious noodles house</p>  <p>Produced cooking ingredients, distributed to major restaurant chains and for export</p> 	<p>1972-2011 (2nd Generation)</p> <p>Brief History -Started as a family business selling fried Kuey Tiew in KL since 1960. -The founder worked as an assistant in a restaurant (1962) and learned to make dim sum in "Xuang Yin Zhai" (1965) and "Xin Liang Feng" oriental restaurants (1968) as well as noodles (1969) and mooncakes (1970). -The founder opened "Loy Kee" Hong Kong dim sum restaurant (1971) in Central Market after studying with a Hong Kong chef. They shifted to the ground floor of Hotel Kam Lun Tai (owned by Tun H.S. Lee) to open Kam Lun Tai restaurant to provide morning tea snacks and dim sum (1972). -The founder opened Kam Lun Tai dim sum restaurant in Seri Petaling, Selayang & Klang (1978); a partnership with friends opened seafood restaurants, noodle houses and Japanese Sushi restaurants (1985). The founder later ventured into mooncakes using Japanese technology (1980) and started to produce egg rolls (1984), Japanese Mochi (1988) and wedding biscuits (1990). -Kam Lun Tai received a fine dining reward from French association Chaine des Rotisseurs for Imbi Palace Restaurant (1990) to promote Malaysia cuisine (1998) and Fabulous Food 1 Malaysia (2000), venturing into property development (1995). -During the second generation, the founder's daughter helped to operate the restaurant chain and established Guardian Catering Service (2002) while the founder's son, a graduate from Curtin University, led KLT food industries, achieving recognition in Halal certificate (2000), JAS-ANZ ISO 9001: 2000 certificate (2001), HACCP food safety (2001) and Mooncake Super Brand Award (2002). The second generation utilized his exposure in Singapore and Australia to distribute pastries and sauces in their Chinatowns. The second generation redesigned the menu to suit local cuisine (2006-2008). -Knowledge has been nurtured from hawker stall cooking experience to restaurant chains and catering services, venturing into KLT food industries.</p> <p>Family Tree First Generation (1972-2000)</p>  <p>Second Generation (2001-2011)*=Resigned</p>  <p>Family Roles in Organization Structure First Generation (1972-2000)*=resigned Second Generation (2001-2011)</p> 
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<p>14. Red House (Small Scale Enterprise) (Ready to Drink Products) (Cordials)</p> <p>ProductManufacturer FirstGeneration(1964-1989) Home-made fruit juice concentrate and cordials in different flavors.</p>  <p>Produced Red Horse brand of tropical fruit juice concentrate to serve local sundry shops, government bodies and supermarkets</p>  <p>Produced Nikmat concentrated syrups to cater to Arab countries</p>  <p>SecondGeneration(1990-2011) Produced Happy baby syrups to serve Maldives and Mauritius market demand</p>  <p>Produced Borr's natural juice concentrate as premium products with high quality assurance</p>  <p>Provided customization and special private labelling packaging</p> 	<p>1964-2011 (2nd Generation)</p> <p>Brief History</p> <ul style="list-style-type: none"> -Started Red Horse through van sales distributing concentrate juice in 1964. - The founder started out as a home-based business by bringing in sons as assistants and part-timers to be involved in the processing chain. The fruit juice concentrate was later distributed to sundry shops and canteens (1970). -The cordials were later distributed to government bodies (1975), police stations (1977) and army camps (1980) to cater to special event celebrations. -They later established Red Horse juice manufacturing in Taman Kepong (1978) and distributed the Red Horse products range, from squash, cordials and syrups with 13 flavors (tropical fruit juice concentrate) to Malaysia, Brunei & Singapore (1981). -They distributed "Nikmat" concentrated syrups in 6 flavors to cater to Arab countries (1989) aligned with promotions in the Middle East. -During the second generation, the founder's sons upgraded production facilities by implementing Festo Germany mechatronic automation engineering to speed up production. Happy Baby brand (2002) and Borr's concentrated fruit juice (2005) were produced to cater to Maldives and Mauritius market. - The founder remained a large shareholder and established Hon Nyit Sin and Sons Realty as rental collection to accumulate capital. However, they remained a fruit juice cordials manufacturer. They provided customization or special packaging to cater to overseas market (2002). -Knowledge has been developed from a vendor of juice cordials to fruit juice concentrate manufacturer with different trademarks to cater to different markets. <p>Family Tree</p> <p>First Generation(1964-1989) *owned 82,250 shares in Hon Nyit Sin & Sons Realty</p>  <p>Second Generation(1990-2011)*=Resigned</p> <p>Family Roles in Organization Structure</p> <p>First Generation (1972-2000)</p> <p>Second Generation (2001-2011)</p> 
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<p>15. Hei Hwang (Small Scale Enterprise) (Ready to Buy Products) (Coffee)</p> <p>Product Manufacturer First Generation (1975-2011) Produced home-based herbal drinks to cater to the local community who sought herbal traditional remedies</p>  <p>Packed herbal drinks in private labelling with longer shelf life</p>  <p>Explored opportunities to bring its Ipoh white coffee series in instant packaging named Hei Hwang</p>  <p>Second Generation (2002-2011) Well-managed with nice packaging of Hei Hwang pumpkin soup and instant health beverages</p>  <p>Processed quality soybean powder and nut powder, mostly imported from China, Guangdong</p>  <p>Developed Detox cleanse powder with fruit ingredients, going through the dehydration process</p> 	<p>1975-2011 (2nd Generation)</p> <p>Brief History -Started as a traditional herbal drinks shop in Ipoh, Perak around 1965. -The founder invited his brothers to join the business from production, packaging, delivery and logistics to serve local community by preparing herbal drinks blended with different herbs. The shop closed down due to a shortage of supplies and unsatisfactory quality of Chinese herbs imported from China. -They established Hei Hwang Food Industries (1975), dealt with the aroma and taste of Ipoh Coffee. Ipohites are known to have a finer, delicate taste for their food and beverages. The founder insists coffee should always be brewed from 100% Ipoh White coffee beans. - The founder brought in Taiwanese machine and produced instant Ipoh coffee powder with longer shelf life. He produced Hei Hwang Black Coffee (1978) and later upgraded to instant white coffee (1980), instant white coffee junior (1982) and milk tea (1985). Later, he bought land in Guangdong and the instant white coffee was shipped to the Chinese market, in line with China's open door policy (1990). -During the second generation, the founder's sons joined the business and produced Vietnamese instant coffee (2000) and instant cappuccino white coffee (2002). They expanded into organic health foods; instant pumpkin soup (2002), whole grains energy soup (2003), soybean powder (2004), black sesame seed (2005) and Detox cleansing powder (2008). - His sons utilized land bought in Guangdong by setting up a factory warehouse to select the best sesame seeds, oats, soy beans, ginger and walnuts for food processing in Malaysia and assigned dealership to China and Singapore. -Knowledge has been transformed from Chinese herbal drinks to Hei Hwang unique Ipoh instant coffee, health supplements and organic food.</p> <p>Family Tree First Generation (1975-2001)</p> <pre> graph TD A([Early establishment of Daiyo Food Industries (Herbal Shop)]) --> B[Lee Hock Nee (Founder) (189,998 shares)] A --> C[Chan Sau Leng (Founder's wife) (82,250 shares)] B --> D[Lee Hack Kee 2nd brother (50,000 shares)] B --> E[Lee Hock Tow 3rd brother (50,000 shares)] B --> F[Lee Hook Pan 4th Brother (50,000 shares)] B --> G[Lee Hock Shim 5th Brother (50,000 shares)] C --> D C --> E C --> F C --> G </pre> <p>Second Generation (2002-2011)</p> <pre> graph TD H[Lee Hock Nee Founder (383,200 shares)] --> I[Lee Hock Nee 2nd Son (519,900 shares)] H --> J[Chau Sau Leng Wife (310,000 shares)] H --> K[Lee Haw Yuan 1st Son (519,900 shares)] H --> L[Lee Haw Huang 2nd Son (519,900 shares)] J --> I J --> K J --> L </pre> <p>Family Roles in Organization Structure First Generation (1975-2001)</p> <pre> graph TD M([Hei Hwang]) --> N[Dayo Food Industries (M) Sdn Bhd] M --> O[Hei Hwang Food Industries (Ipoh Based)] N --> P[Hei Hwang Food Industries] O --> Q[Hei Hwang Food Industries (China)] P --> R[Directors Lee Hock Nee (Business owner) Chan Sau Leng (Shop Assistant) Lee Hack Kee (Production) Lee Hock Tow (Operation) Lee Hock Pan (Packaging) Lee Hock Shim (Logistic)] Q --> S[Directors Ipoh Coffee Powder (China) Distributor Lee Haw Yuan (Factory Operation) Lee Haw Huang (Export Division)] </pre> <p>Second Generation (2002-2011)</p>
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<p>16. Eng Hup Seng (Small Scale Enterprise) (Ready to Cook Products) (Sesame Oil)</p> <p>Product Manufacturer First Generation (1987-2000) Produced home-based sesame oil, made solely from a traditional recipe</p>  <p>Produced Mother brand sesame oil in bottles and tins that were acceptance in the domestic market</p>  <p>Produced soy sauces, vinegar series, bean paste and oyster sauce for hotels and restaurants</p>  <p>Second Generation (2001-2011) Produced and repacked sauces to cater to local supermarket retail chains</p>  <p>Ventured into contract manufacturing and sold to the local largest food processing sector in bulk</p>  <p>Enhanced private labelling and customization for overseas distribution and the Asian food market</p> 	<p>1987-2011 (2nd Generation)</p> <p>Brief History -Started as a traditional sesame oil producer in 1960. -The founder produced home-based sesame oil and distributed to households and hawker stalls (1970). Later, Mother brand sesame oil was produced (1978) and Eng Hup Seng sesame oil factory established in Sungai Buloh (1987). - Created Mother brand light soy sauce and thick sauces (1990), plum sauce and vinegar series (1993), bean paste (1996) and Seagull Oyster sauce (1999). The R&D team in Eng Hup Seng concocted new recipes to suit ever changing market demand. -During the second generation, 4 sons were greatly involved in production, sales and marketing. To compete with other sauce manufacturer such as Lee Kum Kee, ELS and Bobo, the sons made sure their products always contained high nutritional values to penetrate into Malaysian supermarket retail chains such as Jusco (2000), Giant Supermarket (2002), Econsave (2005) and Carrefour (2006). The founder's eldest son was even able to deliver sample products to overseas markets in Asian countries (2005), Australia (2007) and Europe (2008) mostly targeting Asian food mart retail chains in particular countries. - Eng Hup Seng was able to conduct contract manufacturing and private labelling. They sold in bulk to major food manufacturers such as Lam Soon (1996), Yee Lee (1998) and Nestle (2000) since their products were under stringent quality control. -Knowledge has been developed from traditional sesame oil production to sauces production with private labelling and contract manufacturing.</p> <p>Family Tree First Generation (1987-2000)</p> <pre> graph TD A([Early establishment of home-based sesame oil factory]) --> B[Koh Hor San (Founder)] A --> C[Lawrence Oo (Founder's Assistant)] B --> D[Koh Chai Seong 1st Son (25,001 shares)] B --> E[Koh Chai Seng 2nd Son (25,001 shares)] B --> F[Koh Chye Beng 3rd Son (25,001 shares)] B --> G[Khor Chye Heng 4th Son (25,001 shares)] </pre> <p>Second Generation (2001-2011)</p> <pre> graph TD D --> H[Koh Chai Seong 1st Son (80,001 shares)] E --> I[Koh Chai Seng 2nd Son (80,001 shares)] F --> J[Koh Chye Beng 3rd Son (80,001 shares)] G --> K[Khor Chye Heng 4th Son (80,001 shares)] </pre> <p>Family Roles in Organization Structure First Generation (1987-2000) Second Generation (2001-2011)</p> <pre> graph TD L([Eng Hup Seng]) --> M[Eng Hup Seng (Home Based)] L --> N[Eng Hup Seng Sesame oil & Sauce Factory (Export & Supermarket Division)] M --> O[Eng Hup Seng Sesame Oil] N --> P[Eng Hup Seng Sesame oil & Sauce Factory (Contract Manufacturing Division)] </pre> <p>Eng Hup Seng (Home Based) Business Owner Koh Hor San (Owner, sales manager, marketing manager, logistic) Lawrence Oo (Assistant)</p> <p>Eng Hup Seng Sesame Oil Directors Koh Chai Seong (Manager) Koh Chai Seng (Manager) Koh Chye Beng (Manager) Koh Chye Heng (Manager)</p> <p>Eng Hup Seng Sesame oil & Sauce Factory (Export & Supermarket Division) Directors Koh Chai Seong (Sales & Marketing) Koh Chye Heng (Sales & Marketing) Koh Chai Seng (Production Engineer) Koh Chye Beng (Operation)</p> <p>Eng Hup Seng Sesame oil & Sauce Factory (Contract Manufacturing Division) Directors Koh Chai Seong (Sales & Marketing) Koh Chye Heng (Sales & Marketing) Koh Chai Seng (OEM Production) Koh Chye Beng (R & D)</p>
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<p>17. Regent Food (Small Scale Enterprise) (Ready to Eat Products) (Sesame Oil)</p> <p>Product Manufacturer First Generation (1987-1995) Home-based fried nuts, and mostly supplied to school canteens and hawker centers</p>  <p>Produced roasted peanuts, broad beans and chick peas by adopting a temperature control oven method</p>  <p>Produced roasted cashew and Macadamia nuts to suit consumer demand for western nut products</p>  <p>Second Generation (1996-2011) Added Wasabi and Spicy flavors during nut processing and became a pioneer for nut production in the Southeast Asian market</p>  <p>Added chicken and Satay flavors to cater to Asian markets with special packaging</p>  <p>Coated with black beans and Hawaii mixed nuts, adopted technology from the USA and European markets</p> 	<p>1987-2011 (2nd Generation)</p> <p>Brief History -Started from home-based fried nuts and supplied to school canteens since 1970. -The founder participated as a member of Malaysia Foodstuffs and Toys Merchants' Association (1975), building up strong networks with the association to obtain a license to establish Regent Food Products (1987). -The founder selects quality raw peas from Malaysia (1978), Indonesia (1980), Sri Lanka (1985), Myanmar (1988), China (1990) and Cambodia (1992) with stringent quality control. The founder used stir fry methods to produce fried peanuts (1978), fried green peas (1980), fried broad beans (1981), fried Macadamia nuts (1988) and fried chick peas (1990). -The founder upgraded from traditional black color frying woks to temperature controlled roasted ovens (1992) to produce a large quantity of nuts and peas. -During the second generation, the founder's sons and daughter with better education in food technology implemented dry roasting techniques (1997) and specialized roasting (1998) to enhance the scent and taste of some spices and flavors by adding spicy herbs (1999), chicken flavor (2000), satay flavor (2002) and wasabi (2004). They were able to distribute their processed nut peas to the Southeast Asian (1998), Asian (2000) and Australian market (2005, since Regent introduced its fumigation method (2003). -The second generation produced coated black beans (2006) and Hawaiian mixed nuts (2007) to target a health conscious market with export packaging targeted at Arabian countries (2007), USA (2008) and China (2009). -Knowledge has been enriched from stir fry methods to temperature control roasting by adding herbs and flavors to explore the export business.</p> <p>Family Tree First Generation (1987-1995)</p>  <p>Second Generation (1996-2011)</p>  <p>Family Roles in Organization Structure First Generation (1987-1995) Second Generation (1996-2011)</p> 
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The 17 case studies in Table 5.2 indicate that these family SMEs in food production grew incrementally from modest beginnings such as restaurant trainees, hawker stall keepers, and street vendors to become large global enterprises. This has been primarily achieved by codifying the founding generation's tacit knowledge into commercialized value-added products in the next generation. The next generation took tacit knowledge to a new level by investing in R&D, allowing the family enterprise to expand its client base and remain competitive in the marketplace as well as eventually develop value-added branded products.

The founders of Eu Yan Sang and Besfomec made use of their knowledge as physicians to combine herbs to create products that served early Chinese immigrants who suffered from opium consumption or illnesses while working in the mining industry around 1800 to 1930. From products developed by Eu Yan Sang and Besfomec, the next generation embraced western technology and employed knowledge from their education to promote R&D and develop new pharmaceutical products and health supplements combined with traditional Chinese medical practices. However, both family SMEs faced obstacles in introducing the formula of TCM (Traditional Chinese Medicine) in the market. Therefore, the next generation in Eu Yan Sang joined forces with the British-based Oxford Natural Product PLC while Besfomec adopted scientifically-based western R&D. This "enlightened mindset" offered by the third generation standardized its range of TCM herb essences and supplements to make more substantive claims about their quality and lend greater credibility to the TCM industry.

This "enlightened mindset" had an important impact on their development of Asian food products and later the global halal food supply chain. Some of their products would also emerge as Asian specialties in western countries. A majority of the products produced

by these SMEs were prepared by trained chefs who used the finest ingredients in Malaysia, particularly after having attained international recognition. In the case of King's Confectionery, little did Wong Yoke Khing know that when she established her first flagship store in Kepong, 1973, it would one day become one of the largest confectionery chains in Malaysia. With passion and interest, the franchising business helped King's Confectionery introduce various convenience snacks when they started to cooperate with Tesco retailers, 7-Eleven, Fire Fly, Carrefour and Delifrance. Frozen foods, muffins, sauces and various Pak Hailam café menus were marketed under King's franchising. As for Kam Lun Tai mooncakes, founder Lum Tuck Loy took the first step of introducing Hong Kong food culture and established Kam Lun Tai restaurant and mooncake production. After three generations in the food production, Vit Makanan has modernised its production capabilities to achieve a 75 percent capacity, with a daily production of 330,000 pieces of instant noodles and 75,000 air dried noodles (mostly Halal) that are shipped to Tesco stores in Britain.

In the case of Ghee Hiang, it was the founder, pastry chef Teng Ku, who branded "Ghee Hiang" as a traditional Malaysian product. Based in Penang since 1856, it has remained involved in sesame oil and oriental pastries production. The firm prides itself on being the custodian of recipes from Fujian, China that are centuries old. This has helped Ghee Hiang to become a heritage Penang food product. As Ooi Sian Hian, CEO of Ghee Hiang and a third generation member of the Ooi family, notes

"A Malaysian brand name was built over a period of nearly 150 years through careful nurturing, sound customer commitment, and experience. We pride ourselves in handing down our century-old recipes (from Fujian, China) and trademarks through freshly made Tau Sar Pneh³⁷."

³⁷ Interview on 11 July 2011 and conducted in Ghee Hiang's office, Macalister Road, Penang.

In terms of ownership control, Table 5.2 indicates that family members in these SMEs occupy top management positions while secondary key management positions are reserved for close relatives and employees. The current shares owned by Besfomec (420,000 shares), Baker's Cottage (155,000 shares), and Hei Hwang (189,998 shares) are primarily accumulated capital converted into equity. Besfomec and Hei Hwang started off as Chinese herbs producers between 1948 and 1965 and the founders' relied on their siblings as business partners, engaging them in the organization's management as a means to keep labour costs as low as possible.

In Besfomec, the Low family maintained tight ownership control and become the producer of the well-known Fomec's essence products. As the company's reputation grew, tight ownership control also led to the placement of Besfomec Industries under the Besfomec Group of Companies led by the next generation, Low Chew Ping. The plants are located in Malaysia and Macau and are under stringent control in line with tacit knowledge in physician and herb remedies passed down by the founder when they first established the Xin Chun Woh medical hall in Malacca. As for Hei Hwang, the Lee brothers successfully adapted tacit knowledge from Dayo Food Industries to Hei Hwang (Ipoh) and Hei Hwang (China) to develop the famous Hei Hwang Ipoh Coffee as well as health beverages, primarily by utilizing the land bought in Guangdong through contract farming in China.

Both family SMEs share similar characteristic in terms of organization improvement, specifically when they ventured into ethnic Chinese markets such as those in Macau and China. They assigned their family members the task for such expansion. Lee Haw Huang from Hei Hwang assigned his brother, Lee Haw Yuan to monitor overseas operation and ship organic beans and seeds back to Malaysia for further food processing

and at the same time, export Malaysia's famous instant Ipoh Coffee mix to China. In the case of Besfomec, Low Chew Ping (third generation) invited his cousin and nephew, Low Chih Pin and Low Yong Pin respectively, to be involved in production, packaging and R&D since Fomec's essence products were part of their expansion plans into Macau.

The practice of nepotism that involves keeping the family involved in the business may mean that the firm will end up with incompetent family members making key decisions. Wong (1985) argued that this weakness in family SMEs has dire consequences. Due to nepotism, career-advancement opportunities for skilled non-family staff are restricted. However, King's Confectionery and Kum Thim are exceptional cases in that nepotism did not necessarily undermine these firms. King's Confectionery assigned family members, Wong Yoke Khing and her sisters, Wong Yoke Chin and Wong Nyok Choo, to manage outlets as they prepared to adopt the business franchising method. As Wong Ley Hoi managed the business, King's Confectionery now has 90 outlets in Malaysia, making it the largest confectionery retail chain in the country. As for Kum Thim, Mun Siew Leong took part in production followed by his siblings who were involved in 3Ms in a bid to centralize their group operations which consists of halal and non-halal dim-sum, sauces and frozen foods, as well as joint-ventures with a firm from China.

This unity of purpose, as shown by King's Confectionery and Kum Thim, has been a fundamental factor in the development of these family SMEs. These businesses gave a sense of belonging to the next generation which allows them to introduce new concepts, for example, from King's Confectionery to King's franchising of pastries and cafés. In addition, Kum Thim evolved from home style sauce production to Superbrand awards recognition as nominated by the hotel industry and restaurant chains.

The value of family involvement is one where the business retains its unique knowledge skills which allow it to compete effectively. In the case of Khong Guan, Chew Soo Lin ensured that the next generation was able to setup Henan Khong Guan Cereal and oil food products in China. Khong Guan became the second most popular brand in China and is a popular choice for USA mass marketing chains in Asian food. In the case of Ghee Hiang, Ch'ng and Ooi family members served long tenures on the board of directors since they were more familiar with the sesame oil and pastries production adopted from traditional recipes. In the case of Tatawa, they nurtured food technology to develop new products such as Tianje mooncakes and adopted ideas from the private labelling of Japanese biscuits.

Maintaining tight control on the family business impairs the use of professional help. The changes introduced by the second generation has bearing on managerial styles and the adoption of a consultative and consensual decision-making style. The next generation leaders were keen to professionalize the management though they were also more risk-averse about new ventures compared to the founders³⁸. Managerial decision-making became more complex with the emergence of the third generation given the growing number of family members, such as the so-called cousin consortium, that were joining the enterprise³⁹.

³⁸ Second Interview conducted (3.2.2012, 6-7pm) with Tan Leong Chai, Laksamana's CEO, and Lee Haw Huang, Hei Hwang's CEO (5.5.2012, 8-9pm), both mentioned that they were risk reverse. Both these companies were focusing on establishing new manufacturing plant for their new products.

³⁹ Interview conducted (7.7.2011, 9-11am) with the third generation's CEO, Ooi Sian Hian from Ghee Hiang.

5.5 Triggered by Change: Market Trends and Consumption Patterns in Food Industry

Table 5.3 draws attention to triggering events that contribute to a major change of the enterprise. These events lead to different forms of development across generations as well as help to significantly develop the strengths of family members, involving the development of tacit knowledge from the start-up enterprise triggered by the market popularity on certain food production. The most common event triggering change was market demand as indicated in Table 5.3 is changing market trends. In some cases, demand for unique Malaysian products and growing brand reputation triggered the rise of the enterprise.

As seen in Table 5.3, Eu Yan Sang, Besfomec, Ghee Hiang and Red Horse illustrate that when a family tradition exists, tacit knowledge is considerably strengthened by the family's involvement since the founder's knowledge in food production would help create a brand reputation over time. The next generation of these family enterprises conveyed the pride of their century-old knowledge, for example, by reiterating the meaning of the company name "Yan Sang" from Eu Yan Sang which refers to caring for mankind. "Fomec", from Besfomec, is related to the credibility of Chinese herbal remedies. "Ghee Hiang" is associated with the good aroma and taste of sesame oil. "Red Horse" symbolizes the firm's juice and beverages production methods which were shaped through creative technology that brought out the natural goodness of the juice. Such traditions helped to reinforce these companies' brands as well as their reputation for selling quality and value-added food products.

Table 5.3: Analysis of History, Family Tree and Family Role of SMEsin Food Production

Family Enterprises/ Business Nature	Enterprise Type	Year establishment/ Generation/ Succession	Start-up Enterprise	Triggering Event	Change Enterprise and Development	Change in Management System	Change in Production System
1.Eu Yan Sang (EYS) (Chinese Herbs)	Large Enterprise	1842-2011 (3 rd Generation) (Father-Cousin)	Started from a herbal medical hall in Perak	Triggered by immigrant Chinese in Malaya who had skills in physician care	Changed to Eu Yan Sang herbal and health care retail chain	Professional management with mentors in medicine and the science profession	Joined forces with Oxford Natural Product to develop new supplements
2. Khong Guan (Biscuits)	Large Enterprise	1937-2011 (3 rd Generation) (Father-Nephew)	Started from a commodities trader in Southeast Asia	Triggered by large mass demand for biscuits as primary food	Changed to Asian Khong Guan group with a mass marketing chain	Retaining management with directors experienced in investment	Signed an agreement with Arnotts to venture into overseas and Asian snacks
3. London Biscuit (Biscuits)	Large Enterprise	1994-2011 (2 nd Generation) (Father-Son)	Started in timber merchant trading	Triggered by entrepreneurial dynamics, an issue studied by its second generation at Singapore University	Changed to London Biscuit and largest roll cake production in Southeast Asia	Professional management led by a professional second generation and Chief Operating Officer	Mastering new technology in instant confectionery and candy, through acquisition
4. Tatawa (Biscuits)	Medium Enterprise	1981-2011 (2 nd Generation) (Father-Nephew)	Started as a traditional wedding pastries house	Triggered by private labelling in biscuit production from Japan	Changed to private labelling and export based biscuit production	Evolution from traditional pastries to food technology management	Private labelling for export - developed Tatawa biscuits and mooncakes
5.King's Confectionery (Pastries)	Medium Enterprise	1977-2011 (2 nd Generation) (Father-Daughter-Son)	Started as a hawker style coffee shop in Rawang	Triggered by personal passion and interest to make pastries	Changed to a retail confectionery chain and lifestyle café	Family ownership combined with business franchising	Frozen King's bakeries to venture into airline food and franchising
6.Laksamana Usaha (Noodles)	Medium Enterprise	1975-2011 (2 nd Generation) (Father-Son-Daughter)	Started as a home based noodles production in Ampang	Triggered by market demand for Malaysian style halal noodles	Changed to halal-based clean noodles production	Family management with foreign ownership from Thailand	Cleanest Halal noodles, venturing into Chinese Muslim cafe
7. TPC Plus (Egg)	Large Enterprise	1976-2011 (2 nd Generation) (Brother-Outsider)	Started as a poultry chicken farm in Melaka	Triggered by contract manufacturing to supply fresh eggs to McDonalds	Changed to TPC Plus, owned by Lonbisco and ventured into biotechnology	From Yee brothers to Lonbisco ownership, remaining an egg poultry producer	Ventured into enzyme vinegar biotechnology after being sold to Lonbisco
8. Vit Makanan (Noodles)	Medium Enterprise	1975-2011 (2 nd Generation) (Father-Son)	Started as a Taiwanese foods trader in Kedah	Triggered by market demand for instant noodles	Changed to Vit instant noodles manufacturer	Greatly emphasized marketing and IT	Partnership with Tesco to distribute Vita instant noodles

Family Enterprises/ Business Nature	Enterprise Type	Year of establishment/ Generation/ Succession	Start-up Enterprise	Triggering Event	Change Enterprise and Development	Change in Management System	Change in Production System
9. Besfomec (Chinese Herbs)	Medium Enterprise	1948-2011 (3 rd Generation) (Father-Son-Nephew)	Started as a Chinese herb store with physician training	Triggered by market acceptance of essence health supplements	Changed to evidence-based health products and Melaka tourism spot	Professional management backed with a profession in pharmacy	New R&D in health essence product extracts from local herbs
10. Baker's Cottage (Cakes & Breads)	Large Enterprise	1994-2011 (3 rd Generation) (Father-Son-Grandson)	Started as back yard day old chick farming	Triggered by a booming industry of processed food retail chains	Changed to a subsidiary bakery retailer utilized from chick farming	Family ownership streamlined with Leong Hup group	Baker Cottage bakeries and mooncakes, utilized from Leong Hup
11. Ghee Hiang (Sesame oil)	Small Enterprise	1865-2011 (3 rd Generation) (Father-Friends)	Started as an oriental pastries shop for immigrants	Triggered by promotion of Penang heritage food stuff	Changed to Penang heritage food and R&D in sesame seeds	Tight ownership control with elderly family members	Protects old recipes and Penang heritage food stuff
12. Kum Thim (Soy Sauce)	Small Enterprise	1970-2011 (2 nd Generation) (Father-Son)	Started as a door-to-door soy sauce salesperson	Triggered by new network opportunities when founder worked at a restaurant	Catered to 4-5 star hotels; appointed sauces supplier and food exporter	Joint ventures with China's Jiang group to achieve quality food management	New direction to penetrate the halal food, Dim Sum and frozen food markets
13. KLT Food (Restaurant)	Small Enterprise	1972-2011 (2 nd Generation) (Father-Daughter-Son)	Started as a Dim Sum restaurant business in Central Market	Triggered by strong influence of Hong Kong cuisine in Malaysia	Changed to KLT group of companies, consisting of restaurants in the food industry	Cooperated with A1 fabulous food to split into restaurants and food productions	New direction to promote localized catering and KLT food stuff and mooncakes
14. Red Horse (Cordials)	Small Enterprise	1964-2011 (2 nd Generation) (Father-Son)	Started as a concentrate juice distributor	Triggered by strong demand from government bodies	Changed to a halal-based private labelling fruit juice supplier	Tight family ownership control with extended family	To create different brands in fruit juice, targeted export trading
15. Hei Hwang (Coffee)	Small Enterprise	1975-2011 (2 nd Generation) (Father-Son)	Started as a herbs and herbal drink distributor in Ipoh	Triggered by popularity of Ipoh white coffee	Changed to instant coffee packs and powdered health supplements	Ownership and contract farming in China	New product development in Hei Hwang coffee and health drinks
16. Eng Hup Seng (Sesame Oil)	Small Enterprise	1987-2011 (2 nd Generation) (Father-Son)	Started as a traditional home-based sesame oil producer	Triggered by acceptance for new types of sauces	Changed to contract manufacturing in sauce production	Tight family ownership, focused on local and foreign markets	New packaging of sauces for contract manufacturing
17. Regent Food (Peanuts)	Small Enterprise	1981-2011 (2 nd Generation) (Father-Son)	Started as a traditional home-based nuts and beans producer	Triggered by snack food market demand for nuts and peas	Changed to private labelling of peas and nuts production	Family ownership exposed to export trading	Repacked nuts and added flavors to cater to various export markets

Crucially too, Eu Yan Sang, Besfomec, Ghee Hiang and Red Horse, as shown in Table 5.3, had the advantage of sound executive and managerial training which aided technology upgrading. Moreover, the next generation was interested in private labelling and developing export capacity including the Halal market. Having grown up in a family business environment, they had extensive knowledge which enabled them to decide how to effectively change the enterprise towards one that involved contract manufacturing and export trading. Ken Hon Kah Khain, second generation CEO from Red Horse reiterated this point during the interview when he said

“We remain intent on producing just a single product because we focus about what kind of appropriate technology can be implemented to target various market demands ranging from export to the Halal market⁴⁰.”

As indicated in Table 5.3, changing market trends pushed these SMEs to identify new market opportunities and create new products. To respond to these changes, the next generation aggressively mastered new technology and expertise while also building on the tacit knowledge they had. This helped them to expand the range of their products. Some of them groomed children through sound education so that they had the skills to develop firms in a foreign setting. Certain family SMEs brought in professional managers because family members did not have enough expertise to introduce R&D.

For example, Kum Thim, which started out selling soy sauce door-to-door, insists on a traditional natural fermentation process adopted from a recipe which conveys a Malaysian taste; they would emerge as a leading brand in the Asian Pacific region. The next generation upgraded product quality to comply with worldwide food safety requirements. It would help Kum Thim cooperate with the Jiang group to develop new authentic Asian sauces, Halal frozen food as well as Dim Sum and Yee San varieties, a delicacy common in locally celebrated reunion meals during Chinese New Year. The

⁴⁰ Interview on 13 November 2011 and conducted in Red Horse Factory, Taman Kepong, Kuala Lumpur.

next generation attempting to penetrate the market know that they need to “meet the right market” with their right product to increase sales. This can be seen in Laksamana Usaha where the next generation played a key role in actively engaging with and promoting technology, including being partners in Thailand to produce what would be termed as the cleanest noodles. This involvement in technology would also help Laksamana Usaha venture into Halal noodles and sauces to penetrate the Chinese Muslim restaurant chain in Malaysia.

Before a triggering event occurred, family SMEs in food production were likely to struggle for survival. Decisions had to be made promptly, triggered by economic changes in the food industry, a strong market demand for Malaysian specialties and market acceptance of novel food products and personal interest to venture into a new business. Some family SMEs in food production began to venture into areas beyond their original niche market. Owing to slowing growth in their original market, possibly because of increasing saturation, the next generation looked to other related markets. As seen in Table 5.3, this is illustrated by the number of family businesses that sought to expand their business from the domestic to the international market, particularly in the 1980s and early 1990s as unique Malaysian food products were beginning to achieve growing recognition in overseas markets.

This is clearly shown by Vit Makanan which introduced economy pack instant noodles without seasoning into the Malaysian market, a product for which there has been great demand since. The next generation came on board at an appropriate time to introduce Halal-based Malaysian flavours. Vita's instant noodles include those such as Malaysian Curry, Malaysian vegetarian, seafood and oriental duck soup flavours, successfully penetrating international markets as one of Malaysia's SMEs brand of Halal instant

noodles. The changing market demand for processed food or pastry in the domestic market would lead the Leong Hup group to venture into Ayam A1 processed chicken chain stores and the Baker Cottage confectionery chain. They streamlined operations to reduce production costs and increase the competitiveness of their products in bakeries and the confectionery industry.

5.6 Business History, Firm Size and Family Role

Table 5.4 shows that some family business owners tended to retain leadership authority and this is manifested in the large power distance between family business leaders and their staff. As family firms are passed from one generation to the next, a cycle of fragmentation occurs. This capital fragmentation may lead to an increased vulnerability as they are less likely to have the needed capital to cushion economic hardships. From Table 5.4, it is evident that a majority of family members of these SMEs are placed in top positions. A clan-based type organization structure plays an important role during the founder's generation. With time, however, most members of the next generation, particularly among large-scale enterprises, were very keen to professionalize the management and incorporate foreign partnership to improve product development. Some of them were open to collaborating with specialists or business partners to build the quality of their tacit knowledge. Large-scale enterprises are more likely to turn from family businesses to multinational corporations through diversification. Compared to small and medium-scale enterprises, large-scale enterprises in Malaysian food producers were more likely to form joint-ventures.

Table 5.4: Analysis of History and Family Tree Based on Size and Age of Family Enterprise in Food Production

Size and Age of Family Enterprise	Brief History in Family Enterprises	Family Tree in Family Enterprises	Family Role in Family Enterprises
Large-Scale Enterprise (London, Khong Guan, Eu Yan Sang, Baker's Cottage, TPC Plus)	From First to the Next Generation Start-up: Started as an ethnic enterprise to serve the local community with products such as herbs, biscuits, poultry and canned food. Change: Emerged as some of the largest Southeast Asian food production firms serving Asian and non-Asian markets with demand for products such as Eu Yan Sang herbs and London Roll Cakes.	From First to the Next Generation Family Tree: The founder introduced a clan-based organization structure by inviting herbalists and chemists from other countries who were more skillful to run the business. Third and fourth generations not interested in production and some of them are incorporated into foreign partnerships.	From First to the Next Generation Family Role: Family members fully rely on Chief Operating Officers (COO) to handle management, marketing and manufacturing. Start to recruit professional COOs with different working experiences and ventured into diversified business activities.
Medium-Scale Enterprise (Tatawa, King's Confectionery, KLT Food, Laksamana Usaha, Vit Makanan, Besfomec and Kum Thim)	From First to the Next Generation Start-up: Started as traditional home-based food producers of noodles, biscuits, pastries, mooncakes and health supplements based on tacit knowledge. Change: Became unique brands in food production such as Vit's instant noodles, Besfomec essences, King's pastries, Kum Lun Tai restaurants, Laksamana noodles and Ghee Hiang sesame oil.	From First to the Next Generation Family Tree: The founders' heirs were placed in top positions. However, the next generation adopted sibling partnerships and were given full autonomy to run the enterprise. Family members monitor other subsidiaries or branches related to the primary business.	From First to the Next Generation Family Role: Family members fully rely on personal experience or educational background to develop tacit knowledge into commercialized business in areas in pharmacy, tourism, IT networking, retailing, hospitality, restaurants and lifestyle cafés.
Small-Scale Enterprise (Red Horse, Hei Hwang, Regent Food, Eng Hup Seng, Ghee Hiang)	From First to the Next Generation Start-up: Started as home-based food producers of peanuts, concentrated juice, sesame oil, biscuits and sauces with strong influence from the founder's family background. Change: Changed to contract manufacturing in food production to create niche market such as Hei Hwang Ipoh white coffee, Ghee Hiang biscuits and Regents peanuts.	From First to the Next Generation Family Tree: The founders' heirs still have a generational shadow and are under the founder's influence during decision-making. Heirs trained from early childhood; seen in Hei Hwang, Red Horse, Regent and Eng Hup Seng.	From First to the Next Generation Family Role: Family members fully rely on export trading to explore business opportunities in Southeast Asian, UAE and European countries. Very few family members want to stay longer due to long working hours and repetitive and boring job tasks.

There are special cases among large scale SMEs where they were more intent to switch their family business into other businesses. For example, in TPC Plus, the Yee brothers sold their family business to London Biscuit in 2007 since the next generation was not interested in joining the family business. The Yee brothers from TPC Plus ventured into enzyme vinegar biotechnology with “Root” as their unique brand based on their previous experience in agricultural management, adopting tacit knowledge from their previous industry that would help them evolve in a new direction in a related industry.

Table 5.4 also indicates that big and medium-scale firms have shown the capacity to build brand products. Medium scale family SMEs are more aggressive in identifying new markets and business opportunities outside Malaysia after they manage to build a strong reputation in the domestic market based on creating unique core products or branded products. Vit Makanan and King’s Confectionery are good cases in point. Since small scale family SMEs in the food production usually start out as a cottage business, the founders’ tacit knowledge in food production is important to expand their customer base from the local district to the rest of the country. In order to do this, a majority of these SMEs tend to produce single products because they are afraid that a change of their product nature would result in the loss of their customer base. For example, Regent Food and Red Horse successfully transformed their inherited home-based business into a prominent private label that enabled them to export their food products to international buyers and customers.

While the second generation of family business leaders share some similar beliefs and cultural traits with first generation leaders, they have different professional backgrounds. This can be generally seen in third generation family SMEs where they stress and

highlight the traditional practice of excellence in food production to stay competitive in the marketplace mainly by codifying tacit knowledge within the enterprise.

5.7 Generational Change, Tacit Knowledge and the 3Ms

Table 5.5 draws important attention to the impact of generational change on the deployment of tacit knowledge, particularly through effective use of the 3Ms. This table indicates that with product development and effective marketing techniques, this contributed significantly to the development of these family SMEs. Table 5.5 indicates that a majority of these family SMEs tended to be innovative and creative in handling their tacit knowledge by employing the 3Ms that were adapted to the local market environment which was a factor that contributed to the profitability and longevity of these enterprises. However, there were differences among these SMEs in the extent to which they promoted the 3Ms and invested in R&D even if they wanted to, primarily due to the exorbitant costs involved in acquiring machinery and hiring technically competent personnel. These trends conform with Mannes' (1967) argument that trade-offs between scale economies and capacity holding costs implies that the best policy is to expand within a fixed cycle-time between investment dates so that expansion sizes are directly proportional to market growth.

Since large publicly-listed family enterprises have to maximize shareholder value, they were much more concerned with product development and established R&D teams in their organization, gathering qualified food technology professionals brimming with new ideas and enthusiasm to make their traditional business more contemporary and relevant to the lifestyle of this current generation (see Figure 5.2). In the case of Eu Yan Sang, they were responsible for presenting traditional herbs as ready-to-consume

capsules, pills or powders linked with Eastern-based herbal remedies and evidence-based Western medical research. In the case of Khong Guan, the second generation secured access to Australia Arnotts recipe and with flour milling technology, it developed different types of Eastern-style biscuits, assorted Western biscuits, Nutrifood and charming food stuff. Revenue grew after Khong Guan established sales offices in Southeast Asia, China and the United States. London Biscuits invested heavily in plants and machinery, a factor that would contribute to it achieving an increase in pre-tax profits from RM12.2 million in 2004 to RM14.6 million in 2007⁴¹.

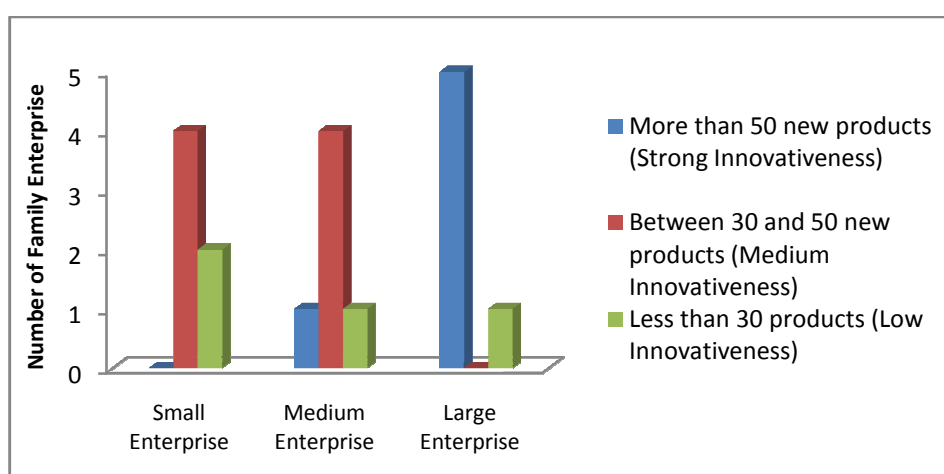


Figure 5.2: New Product Development in Small, Medium and Large Food Smes across Generations

As shown in Table 5.5, on the other hand, Regent Food and Red Horse, tended to shy away from uncertain projects as well as high investment expenditure on R&D that do not guarantee profitable returns. They preferred to develop new products by focusing on their existing customer base and promoted private labelling in order to generate profits in the short term without changing the nature of their products. However, there are exceptional cases such as Ghee Hiang which collaborated with a higher learning institution, University of Science Malaysia (USM), to develop their product as a Penang

⁴¹Profit and loss account from Tatawa financial statement, 2004-2007, SSM.

heritage food; this was done through R&D that focused on the sesame seed. The next generation in KLT Food realized the importance of developing a uniquely Malaysian A1 food product, a factor that helped them in a proactive and pragmatic way to become an integrated restaurant, catering and food production firm with the KLT trademark. Hei Hwang realized the need to constantly improve their products from instant coffee products to health beverages. This would help them to venture into organic food and health supplements, also done by establishing overseas manufacturing plants to replace their unprofitable old fashioned herbal drinks business.

Professional managers inducted into the firm, as indicated in Table 5.5, had typically received formal education in areas such as finance, accounting, marketing and personnel management. These executives were allowed sufficient autonomy to perform their duties, specifically to introduce the 3Ms. However, as Table 5.5 also shows, it takes a long period to insert modern professional methods in management practices. This is because the first generation is very focused and determined to preserve the family business as a disciplined and old enterprise rooted in values characterized by thrift, authority and filial piety. This would impede their willingness to change their business practices and authoritarian management style. This, in turn, would discourage the professionalization of 3Ms required for the growth of their businesses.

However, Table 5.5 indicates that most of the case studies in food production were quick to embrace professional management in their structure following a generational change. Computerization and formal planning methods were introduced by Vit Makanan, King's Confectionery, London Biscuit and TPC Plus in all their operations when the next generation took over the business. So did Eu Yan Sang, whose extensive use of efficient retail chain planning helped in the creation of a huge global empire,

which is probably the most innovative of all these family SMEs in Table 5.5. However, the introduction of modern professional methods and management practices did not lead to an abandonment of their family cultural heritage that was related to how tacit knowledge from the founder was employed. In short, the succeeding generation of family business leaders incorporated a mix of what they saw as best-management practices (irrespective whether they were “old” or “new”) to develop and grow their family business.


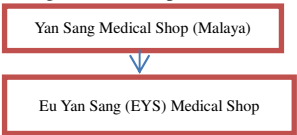

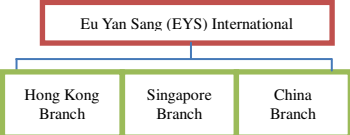

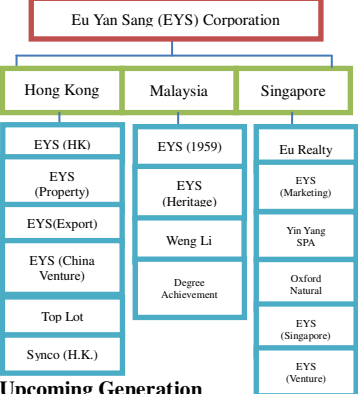

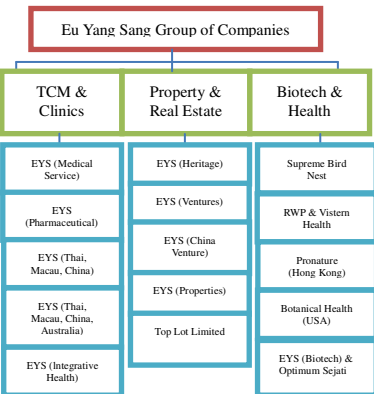
In the case of King’s Confectionery, they introduced the outlet management training method and promoted the concept of business franchising. This helped develop their venture into the King’s Confectionery’s franchise and Pak Hailam lifestyle café without abandoning their Hainanese cultural heritage⁴². King’s Confectionery registered a remarkable rise in plant and machinery costs, from RM17.12 million in 2003 to RM21.12 million in 2007⁴³ that was invested to restructuring management in order to produce a series of equipment, uniforms, machinery and platforms to be used in their Confectionery retail chain. This eventually contributed to a rise in pre-tax profit, from RM2.39 million in 2003 to RM3.06 million in 2007⁴⁴. Yet, because of their differences in professional backgrounds and prior exposure to “modern” Western management practices, they were comfortable adopting these practices and often deliberately enlisted the help of non-family Chief Operating Officers to be “change agents”.









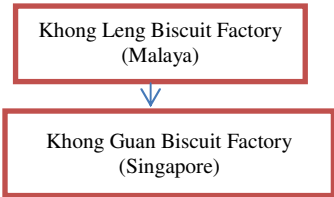

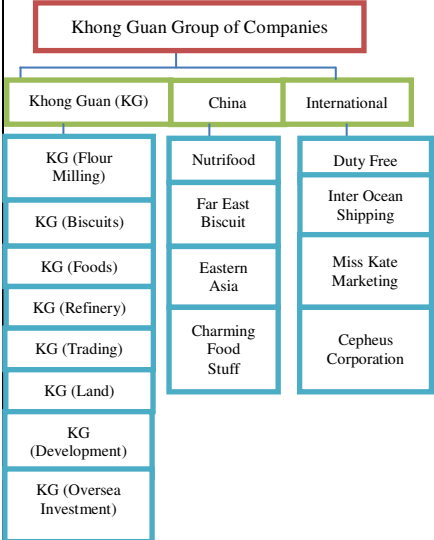
⁴²The term ‘Hainanese’ refers a native or inhabitant of the island of Hainan in China. Hainanese communities first migrated to Malaya from Hainan in the mid-19th century. Although they form only a small sub-ethnic Chinese community in Malaysia, their cafés, popularly known as kopitiams, had a distinctive cooking style and soon became ubiquitous in the country.






⁴³ Property, plant and equipment cost from King’s financial statement, 2003-2007, SSM.








⁴⁴ Profit and loss account from King’s financial statement, 2003-2007, SSM.






Table 5.5: Effects of Generational Change on Tacit Knowledge, 3Ms and Organizational Outcomes







SME's Milestone	Organizational Structure (3Ms)	Strategy	Organizational Outcomes
I. Eu Yan Sang (EYS) (Large Scale Enterprise) (1842-2011) First Generation (Objective) Develop marketable traditional Chinese herbs. Commencement stage 	First Generation Marketing: Distribution targeted at tin-mining workers. Manufacturing: Equipped with herbal remedies. Management: Family management and hired herbalist from China.	First Generation Strategy: EYS used herbal concoctions to alleviate aches suffered from opium targeted at tin mining workers in Malaya whomostly came from China.	First Generation Enterprise Development: Constantly imported herbs from China and opened Yan Sang medical shop. 
Second Generation (Objective) To diversify Eu family business empire. Development stage 	Second Generation Marketing: Diversifies activities into rubber, real estate & trading. Manufacturing: Equipped with international expansion business experience. Management: Management report to the Eu family.	Second Generation Strategy: EYS increased wealth to get involved in different businesses and opened a medical hall for overseas Chinese.	Second Generation Enterprise Development: Constantly diversified into international business. 
Third Generation (Objective) To be a leader in traditional Chinese medicine (TCM). Survival stage 	Third Generation Marketing: Distribution to overseas Chinese market and countries. Manufacturing: Equipped with semi-auto machines to make Traditional Chinese Medicine. Management: Retained experienced personnel and implemented a central administrative system.	Third Generation Strategy: EYS oversees the group's manufacturing operations and product development to choose the best herbs.	Third Generation Enterprise Development: Frequently upgrade products with latest technology to produce different Chinese medicines. 
Upcoming Generation (Objective) Established Eu Yan Sang convenience stores & TCM clinics. Renewal stage 	Upcoming Generations Marketing: New distribution linked with east and west. Manufacturing: Equipped with western scientific approach to produce evidence based medicine. Management: Professional management and corporatedesigned organization structure.	Upcoming Generation Strategy: Moderately improved R&D to develop innovative therapeutic formulations for specific ailments.	Upcoming Generation Enterprise Development: Frequently produced health care products linked with east and west. 

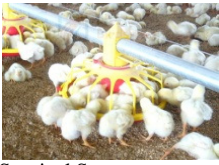





<p>2. Khong Guan (Large Scale Enterprise) (1937-2011)</p> <p>First Generation (Objective) Produce biscuits during the post war period. Existence Stage</p>   <p>Second Generation (Objective) To diversify the business related to primary business Survival Stage</p>  <p>C</p>   <p>Third Generation (Objective) Promoted Khong Guan into a multi-international business trade Success Stage</p>   	<p>First Generation</p> <p>Marketing: Distribution Targeted at Chinese immigrants during the post war period.</p> <p>Manufacturing: Equipped with old metal scraps by using bicycle chains connected to the oven.</p> <p>Management: Family management and hired schoolmates from China.</p> <p>Second Generation</p> <p>Marketing: Diversifies activities into property and flour milling sectors.</p> <p>Manufacturing: Equipped with flour milling technology with access to Australian Arnotts recipe.</p> <p>Management: Professional management and non family based managers recruitment.</p> <p>Third Generation</p> <p>Marketing: Distribution to international and Chinese markets.</p> <p>Manufacturing: Equipped with sophisticated machines to produce biscuits and share its food culture in the global marketplace.</p> <p>Management: Professional management with worldwide associate companies.</p>	<p>First Generation</p> <p>Strategy: Khong Guan made use of the founder's previous biscuit making knowledge to produce biscuits during the Japanese occupation.</p> <p>Second Generation</p> <p>Strategy: Khong Guan accumulated wealth to get involved in different businesses related to its primary business from flour milling, trading and transportation to avoid agency costs.</p> <p>Third Generation</p> <p>Strategy: Khong Guan promoted Khong Guan biscuits in Chinese and International markets, sharing its food culture among associate companies from ASEAN, Southeast Asia, Asia and USA.</p>	<p>First Generation</p> <p>Enterprise Development: Constantly experimented with using different technology and established biscuit factories.</p>  <p>Second Generation</p> <p>Enterprise Development: Constantly diversified into different businesses related to its primary business activities.</p>  <p>Third Generation</p> <p>Enterprise Development: Frequently upgraded products aligned with multinational concepts to promote knowledge sharing.</p> 
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<p>3.London Biscuit (Large Scale Enterprise) (1994-2011)</p> <p>First Generation (Objective) Produced corn based snacks in Malaysia. Existence Stage</p> <p>↓</p>  <p>Survival Stage</p> <p>↓</p>  <p>Second Generation (Objective) To be the biggest cake rolls production in the Southeast Asian market. Success Stage</p> <p>↓</p>   <p>Renewal Stage</p> <p>↓</p> 	<p>First Generation</p> <p>Marketing: Distribution of corn snacks mostly targeted at children.</p> <p>Manufacturing: Equipped with a single machine to produce savory corn snacks.</p> <p>Management: Family management between husband and wife by acquiring the majority of stakes in other food production enterprises.</p> <p>Second Generation</p> <p>Marketing: Diversifies business activities into cake rolls, biscuits, snacks and potatoes chips from local to UAE and Asia markets.</p> <p>Manufacturing: Equipped with automated technology and convenience packaging to enhance ease of export.</p> <p>Management: Professional management split into COO and CEO to give more autonomy to handle business operations.</p>	<p>First Generation</p> <p>Strategy: London Biscuit used an acquiring strategy to own food production enterprises and enhanced technology transfer to avoid shortage in raw ingredients to promote diversification.</p> <p>Second Generation</p> <p>Strategy: London Biscuits acquired the best technology, management and brand building strategies to be the biggest supplier of cake rolls in Asia Pacific and Southeast Asia.</p>	<p>First Generation</p> <p>Enterprise Development: Constantly acquired food production enterprises to produce London trademark snacks, biscuits and cake rolls.</p> <div><div>London Biscuits Sdn Bhd(Shop Lots)</div><div>↓</div><div><p>London Biscuits Sdn Bhd (Factories) Purchased factories to accommodate business expansion</p><ul style="list-style-type: none">-LBB 1st factory (Biscuits Cup Dip)-LBB 2nd factory (Long Shelf Life Pie Cake)-LBB 3rd factory (Cake Confectionery)-LBB 4th factory (Swiss Roll)</div><div>↓</div><div><p>London Biscuits Berhad</p><ul style="list-style-type: none">-Awarded the Enterprise 50 Award, ISO 9002, IPO was subscribed by 29.4x.-Successfully listed on 2nd board on 2002.-Successfully listed on 1st board on 2003.</div></div> <p>Second Generation</p> <p>Enterprise Development: Frequently upgraded production capabilities by introducing new production lines to target new market.</p> <div><div>London Biscuits Group of Companies</div><div><div><div>Candies & Chewing Gum</div><div>Khee San Food Industries SB</div><div>Khee San Marketing Sdn Bhd</div><div>Khee San Berhad</div></div><div><div>Toy snacks, cake rolls & pie cakes</div><div>London Biscuits Sdn Bhd</div><div>London Biscuits Berhad</div><div>Kinos Food Industries Sdn Bhd</div></div><div><div>Poultry Farming (Egg)</div><div>Lay Hong Berhad</div><div>TPC Plus Berhad</div></div></div></div>
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<p>4. Tatawa Biscuits (Medium Scale Enterprise) (1981-2011)</p> <p>First Generation (Objective) Leading manufacturer to produce OEM Japanese biscuits to move away from a traditional biscuits gift shop.</p> <p>Existence Stage</p>  <p>Survival Stage</p>  <p>Second Generation (Objective) Enforced love at first bites of quality Tatawa biscuits</p> <p>Success Stage</p>    <p>Renewal Stage</p>  	<p>First Generation</p> <p>Marketing: Distribution focused on long time orientation with Japanese OEM biscuits production.</p> <p>Manufacturing: Equipped with temperature control ovens with biscuit moulds designed in Japan.</p> <p>Management: Invited more family members from its traditional gift shop and explored opportunities in OEM.</p> <p>Second Generation</p> <p>Marketing: New distribution channels targeted at supermarket channel and mooncake production was introduced.</p> <p>Manufacturing: Equipped with food technology machines imported from Germany and Japan to produce east and west combination biscuits.</p> <p>Management: Family members involved their nephew and niece to participate in food technology and marketing in order to protect tacit knowledge.</p>	<p>First Generation</p> <p>Strategy: As a pioneer, moderately promoted organizational capabilities and 3Ms to produce OEM products to trace its food culture from the global marketplace.</p> <p>Second Generation</p> <p>Strategy: Moderately involved in R&D to innovate tacit knowledge, professionalize management, and improve production packaging and biscuit contents based on food culture from different countries.</p>	<p>First Generation</p> <p>Enterprise Development: Frequently upgraded current premises with bigger space for specific food processing facilities and imported machines to produce Tatawa biscuits.</p> <div><p>Yong Sherng Confectionery Sdn Bhd -Traditional Chinese special event pastries -Gift shop and hampers</p><p>↓</p><div><p>Tatawa Industries (M) Sdn Bhd Knowledge transfer shifted from traditional wedding pastries to OEM biscuits production. -Chinese New Year cookies -Cream filled cookies -Jam filled cookies -Chocolate coated cookies</p></div></div> <p>Second Generation</p> <p>Enterprise Development: Frequently upgraded products, keeping abreast with technological advancement to meet stringent requirements by producing Tatawa biscuits.</p> <div><div><p>Tatawa Group of Companies</p><div><div><p>Tatawa Industries (Domestic Trading)</p><p>Distributed cookies to the shopping complex in Malaysia:- -Jusco - Tesco -Carrefour - Mutiara -The Stores -Giant Supermarket</p></div><div><p>Tianje Mooncakes (Japanese Style)</p><p>Distributed mooncakes cooperated with Tatawa Industries and setup the kiosk in the shopping complex.</p></div></div><div><div><p>Tatawa Industries (Export & Private Label)</p><p>Customized private labeling to cater export trading in different countries:- -Japan (Main export countries) -Korea -Southeast Asia -UAE countries -US -Europe countries</p></div><div><p>Tianje & Tatawa Hamper</p><p>Distributed mooncakes and cookies via online system during special event celebration.</p></div></div></div></div>
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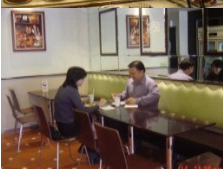
<p>5. King's Confectionery (Medium Scale Enterprise) (1981-2011)</p> <p>First Generation Part I (Objective) Opened a Hainanese style Café in the small town. Existence Stage</p>  <p>First Generation Part II (Objective) Allocated from the hawker stall to King's bakeries house, becoming the largest confectionery retail chain Survival Stage</p>  <p>Success Stage</p>  <p>Second Generation (Objective) Turned King's confectionery into franchising from retail shops to Kopitiam lifestyle cafés. Decline Stage</p>  <p>Rejuvenate Stage</p> 	<p>First Generation Part I</p> <p>Marketing: Distribution focused on housing residents who are coffee lovers. Manufacturing: Equipped with coffee brew equipment and specific tools to produce Hainanese pastries. Management: Family member involvement and founder's heirs acted as personal helpers during school holidays.</p> <p>First Generation Part II</p> <p>Marketing: Mainly distributed products to the assigned outlets in all Malaysian states. Manufacturing: Equipped with 110 machines from flour mixers, ovens and cookers to produce pastries and bakeries. Management: Founder's eldest daughter (Madam Wong) acted as the main decision maker and started to involve brothers and sisters in the business operation.</p> <p>Second Generation</p> <p>Marketing: Mainly distributed products to nearest Tesco outlets and overseas markets such as Bangladesh. Manufacturing: Equipped with 230 imported machines to produce all kinds of bread, cakes, foods and sauce products. Management: Founder's youngest son (LH Wong) acted as main decision maker and invited his siblings to be involved in lifestyle cafés and OEM processing.</p>	<p>First Generation Part I</p> <p>Strategy: Founder used Hainanese traditional food recipes and brewed coffee to attract customers who love Hainanese foods stuff.</p> <p>First Generation Part II</p> <p>Strategy: Kings started to manufacture and design different pastries and baked products based on Madam Wong's recipe. Blended innovative ideas between Madam Wong and staff.</p> <p>Second Generation</p> <p>Strategy: King's started to recruit outsider COOs who had experience in running a franchise business. Started to open more King's outlets in rural areas while the café targeted urban areas.</p>	<p>First Generation Part I</p> <p>Enterprise Development: Frequently introduced new Hainanese food for Hainanese food lovers during breakfast and tea time. Preferred to remain hawker style café.</p> <div style="border: 1px solid red; padding: 5px; margin: 10px 0;"> <p>Hailam Kopitiam (Batu Arang, Rawang) -Ethnic enterprise on Hainanese style foods and brew coffee</p> </div> <p>First Generation Part II</p> <p>Enterprise Development: Constantly created King's pastries to centralize business operations from one outlet to another.</p> <div style="border: 1px solid red; padding: 5px; margin: 10px 0;"> <p>King's Group of Companies</p> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p>King's Confectionery Sdn Bhd (Bakeries)</p> <ul style="list-style-type: none"> -Kingdo Holdings -King's Bakery -King's Café -King's Franchise -KS Bakery -Variety Fresh -Ode "2" Juice </div> <div style="width: 45%;"> <p>King's Confectionery Sdn Bhd (Renovations)</p> <ul style="list-style-type: none"> -Unify Image -Palwise -Vibrant Dragon -Popular Platform </div> </div> </div> <div style="border: 1px solid blue; padding: 5px; margin: 10px 0;"> <p>Cake Sense Bakery</p> <p>Madam Wong resigned during first generation part II and established Cake Sense bakery house targeted at high end markets</p> </div> <p>Second Generation</p> <p>Enterprise Development: Constantly practiced franchising by establishing outlets in every Tesco store in Malaysia.</p> <div style="border: 1px solid red; padding: 5px; margin: 10px 0;"> <p>King's Group of Companies</p> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p>King's Confectionery (Franchise)</p> <ul style="list-style-type: none"> King's Franchise (Tesco) King's Franchise (Bangladesh) King's Franchise (Rural Area) </div> <div style="width: 45%;"> <p>Pak Hailam Kopitiam Lifestyle</p> <ul style="list-style-type: none"> Pak Hailam (Shopping Complex) Pak Hailam (LRT Station) Pak Hailam (Urban Area) </div> </div> </div>
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<p>6.Laksamana Usaha (Medium Scale Enterprise) (1975-2011)</p> <p>First Generation (Objective) Produced hand-made noodles with an adopted recipe from Fujian China to cater to Chinese in Malaysia ExistenceStage</p>  <p>Survival Stage</p>  <p>Second Generation (Objective) Promoted Laksamana as the cleanest noodles based in Malaysia and explored the global Halal market Success Stage</p>   <p>Renewal Stage</p>  	<p>First Generation</p> <p>Marketing: Distribution focused on ethnic businesses located at sundry shops and wet markets.</p> <p>Manufacturing: Equipped with semi-auto machines to combine traditional recipes with the latest technology in noodles production.</p> <p>Management: Family members management under the founder leadership and assigned jobs solely to family members who worked for a long time in the enterprise.</p> <p>Second Generation</p> <p>Marketing: New distribution channels targeted Halal Chinese Muslim restaurant retail chains.</p> <p>Manufacturing: Equipped with mixing, grinding and cooling machines produce the cleanest noodles.</p> <p>Management: Family members led by the founder's eldest son invited his siblings to monitor sales and production. Still retained senior staff to work at selling from vans and production to protect tacit knowledge.</p>	<p>First Generation</p> <p>Strategy: As a pioneer, he moderately promoted organizational capabilities and 3Ms focused on local demand and orders.</p> <p>Developed strong business networking with hawker centers, wet markets and restaurants by using cash upon delivery.</p> <p>Second Generation</p> <p>Strategy: Moderately involved in R&D to innovate tacit knowledge by inviting Malay directors to explore Halal food opportunities in Malaysia and the global marketplace. Incorporated Thai nationals as company directors to enhance knowledge sharing between Malaysia and Thailand as well as to benefit export trading</p>	<p>First Generation</p> <p>Enterprise Development: Quickly moved from home based noodles making to shop lots and established new factory warehouses to upgrade technology.</p> <div data-bbox="1029 315 1442 663"> <div>Jian Ann Home Based Noodles Making -Yellow Noodles and Kuey Teow</div> <div>Jian Ann Noodles manufacturing -Noodles products in safe packaging</div> <div>Laksamana Usaha Noodle Products -Noodles production based on Malaysia delicate</div> </div> <p>Second Generation</p> <p>Enterprise Development: Frequently upgraded products, keeping abreast with technological advancement to create the cleanest Halal recognized noodles to be consumed in Chinese Muslim restaurant retail chains.</p> <div data-bbox="1029 1032 1442 1720"> <div>Laksamana Usaha Noodles Products</div> <div> <div>Noodles varieties</div> <div> -Laksamana (Noodles) -Yellow mee, Kuey Teow and flat mee. -Laksamana (Vermicelli)- Yee Mee and Bihun </div> </div> <div> <div>Food ingredients</div> <div> -Laksamana (instant sauces) -Laksamana (Bean products) </div> </div> <div> <div>Food operator and retail chain</div> <div> -Laksamana (Chinese Muslim restaurant retail chain-Dong Yi Shun) -Laksamana (hawker stall) -Laksamana (hotel industry) -Laksamana (restaurant) -Laksamana (hypermarket) </div> </div> </div>
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<p>7.TPC Plus (Large Scale Enterprise) (1976-2011)</p> <p>First Generation (Objective) To manage traditional poultry farming and become McDonald's appointed egg's supplier in Malaysia</p> <p>Existence Stage</p>  <p>Survival Stage</p>  	<p>First Generation</p> <p>Marketing: Distribution targeted at sundry shops, supermarkets and later fast food restaurant chains.</p> <p>Manufacturing: Equipped with German technology to produce quality eggs and adopted Taiwanese poultry farming operations.</p> <p>Management: Family members under a sibling partnership of 4 brothers from the Yee family progressed from a small chick farm to a professionalized integrated poultry farm.</p>	<p>First Generation</p> <p>Strategy: Heavily enhanced organizational capabilities as lead eggs supplier by introducing Wasaco ("washed-sanitized-coated") eggs. Shifted from predominantly local clientele to become the main egg's supplier for Malaysia's fast food restaurant chain.</p>	<p>First Generation</p> <p>Enterprise Development: Constantly purchased new premises and farms equipped with modern technology to establish in-house R & D for its slow cholesterol eggs.</p> <div data-bbox="1029 315 1442 958"> <div>Teck Ping Chan Farming -Poultry farming for chicken feeding</div> <div>Teck Ping Chan Poultry Farm - Eggs producer in Alor Gajah</div> <div>Teck Ping Chan Agriculture Sdn Bhd Teck Ping Chan Realty Sdn Bhd -Agricultural activities to produce fresh eggs and involved in property</div> <div>TPC Plus Berhad - Retail and eggs wholesale. McDonald appointed eggs supplier in Malaysia</div> <div>Mestika Arif Sdn Bhd -Engaged in the cultivation of fruits and oil palms</div> </div>
<p>Second Generation (Objective) Part of the subsidiaries belong to Lonbisco corporation and ventured into the enzyme vinegar business. Declining stage</p> <p>Success Stage</p>  <p>Success Stage</p>  <p>Renewal Stage</p> 	<p>Second Generation</p> <p>Marketing: Distribution shifted from supermarket and fast food chains to confectioneries and pastry houses.</p> <p>Manufacturing: Equipped with appropriate in-house facilities to offer safe eggs. Yee's brothers ventured into biotechnology to produce enzyme vinegar.</p> <p>Management: Family management from Yee's family to Liew's family align with LBB's mission to become pioneers as the biggest cake roll production in Southeast Asia.</p>	<p>Second Generation</p> <p>Strategy: Heavily involved in developing organizational capabilities by focusing on R&D and sold to Lonbisco since the next generation was not interested to join the family business. Invited staff with veterinarian backgrounds in farm management and disease monitoring to enhance quality of finished products.</p>	<p>Second Generation</p> <p>Enterprise Development: Efficient administrative coordination, constantly upgraded, keeping abreast with technological advancement to turn a poultry farming family business into enzyme vinegar organic farms.</p> <div data-bbox="1029 1249 1442 1668"> <div>TPC Plus Berhad</div> <div> <div>London Biscuits Berhad -Acquired and owned by London Biscuits Berhad with the production of eggs, cultivation of fruits and oil palm</div> <div>Maple Leaf Organic S/B -Brown rice vinegar -Organic noni vinegar -Pineapple enzyme -Fruit and vegetable enzyme -Propolis and Ganoderma -Natural mulberry enzyme -Natural coffee enzyme</div> </div> </div>





<p>8.Vit Makanan (Medium Scale Enterprise) (1975-2011)</p> <p>First Generation (Objective) Ventured into instant noodles production with adopted technology from Taiwan.</p> <p>Existence Stage</p>  <p>Survival Stage</p>  <p>Declining stage</p> 	<p>First Generation</p> <p>Marketing: Distribution focused on Taiwanese food and shifted to instant noodles production.</p> <p>Manufacturing: Equipped with Taiwanese technology to produce economic packs of air dried instant noodles to cater to hawker centers.</p> <p>Management: Family members, usually under the founder with his wife's leadership, brought in workers from food trading to be involved in instant noodles production.</p>	<p>First Generation</p> <p>Strategy: As pioneer in instant noodles production, organizational capabilities and 3Ms were moderately promoted to promote Malaysian local based instant noodles production by adopting Taiwanese technology and stay unique in the local marketplace.</p>	<p>First Generation</p> <p>Enterprise Development: Frequently purchased new premises from 8,000 square feet to 33,000 square feet to expand its production line with growth in demand.</p> <div><div>Vit's Makanan (Kedah) Sdn Bhd -Taiwanese food trader</div><div>Vit's Makanan (Shah Alam) Sdn Bhd - Produced economic pack instant noodles production</div><div>Vit's Makanan (Selayang) Sdn Bhd -Produced seasoning flavored instant noodles based on Malaysiantastes</div><div>Vit's Makanan (Rawang) Sdn Bhd - Produced healthy instant noodles in both seasoning and non-seasoning flavor</div></div>
<p>Second Generation (Objective) Achieved recognition as noodle experts with authentic tastes based on Asia and Southeast Asia.</p> <p>Success Stage</p>   <p>Renewal Stage</p> 	<p>Second Generation</p> <p>Marketing: New distribution channels shifted from local food operation chains to UK Tesco's appointed Malaysia Halal food supplier.</p> <p>Manufacturing: Equipped with air-dried technology to produce healthy instant noodles and meet export requirements from UAE, Egypt and Europe.</p> <p>Management: Under the next generation, family members utilized IT advancement to manage the organization with enhanced participation from the Y-Generation.</p>	<p>Second Generation</p> <p>Strategy: Moderately involved in R&D to innovate tacit knowledge, professionalize management, and improve production capabilities to facilitate instant noodles production based on authentic Malaysian tastes, shifting to Halal food.</p>	<p>Second Generation</p> <p>Enterprise Development: Frequently upgraded products, keeping abreast with technological advancement to build its reputation and created Vit's brand in the global Halal market in International supermarket retail chains.</p> <div><div>Vit's Makanan (KL) Sdn Bhd</div><div><div><div>Vit's (Malaysia Market)</div><div>Malaysia major supermarket retail chain -99 Speed Mart -NSK trade centre -Giant Supermarket -Jusco -Econsave</div></div><div><div>Vit's (Oversea)</div><div>In the west -Europe & Britain (UK Tesco), USA In the Halal food Middle East and Brunei In the Asia -Singapore, Brunei, Hong Kong, Thailand, Cambodia, Papua New Guinea, South Africa, Australia & New Zealand</div></div></div><div>Vit's (IT/E-store) -Electronic commerce -Facebook on the road show -Alibaba -E-store (China)</div></div>









<p>9. Besfomec (Medium Scale Enterprise) (1948-2011)</p> <p>First Generation (Objective) Nurtured as a Chinese traditional herbs shop by providing Chinese physician services Existence Stage</p>  <p>Second Generation (Objective) Leading and pioneering traditional health supplements focused on essence herbal products Survival Stage</p>  <p>Success Stage</p>  <p>Third Generation (Objective) Promoted Fomec essence products and built a good reputation in the international market as traditional Nanyang heritage herbal products. Rejuvenate Stage</p> 	<p>First Generation</p> <p>Marketing: Distribution targeted at local communities who believed in Chinese traditional herbal remedies.</p> <p>Manufacturing: Equipped with herbal remedy knowledge with healing effects.</p> <p>Management: Family management under the founder leadership, inviting his wife and children as personal helpers who solely adopted Confucius teachings.</p> <p>Second Generation</p> <p>Marketing: Distribution from targeted traditional herbal remedies to general essence products as health supplements.</p> <p>Manufacturing: Equipped with standard steel jacketed tank to produce essence products blended with chicken, herbs, fish and bird nest.</p> <p>Management: Family management under the founder's 5 sons leadership managed the organization from production, packaging, logistics and tourism.</p> <p>Third Generation</p> <p>Marketing: Distribution focused on Overseas Chinese markets in the Asian region, later distributed to Chinatowns in Non-Asian market.</p> <p>Manufacturing: Equipped with auto labelling machines and good manufacturing practices to produce Fomec's essence health products.</p> <p>Management: Shifted from family capitalism to a hierarchical management structure to a knowledge intensive one by exploring opportunities in a scientific approach to health supplements.</p>	<p>First Generation</p> <p>Strategy: The founder used personal passion and interest to explore knowledge in Chinese herbal remedies to help more people who suffered from critical illnesses through health supplements and maintenance.</p> <p>Second Generation</p> <p>Strategy: The founder's heirs with sibling partnerships turned the traditional herb family business into a healthcare supplements particularly in essence products targeted at export trading particularly in the Overseas Chinese market.</p> <p>Third Generation</p> <p>Strategy: The next generation combined pharmaceutical knowledge to develop tacit knowledge on traditional health. Promoted health tourism beginning in Melaka and marketed as a brand to overseas market such as Asia, Europe, Australia and US.</p>	<p>First Generation</p> <p>Enterprise Development: Constantly improved the traditional Chinese medicine hall by introducing herbal remedies for certain ailments.</p> <div data-bbox="1027 322 1442 591"> <p>Xin Chun Who Chinese Herbs -Started as a traditional Chinese herb shop</p> <div> <div>Traditional herbs and medicine</div> <div>Clinical and medical hall diagnosed by Chinese physician</div> </div> </div> <p>Second Generation</p> <p>Enterprise Development: Constantly upgraded from a family business to the Besfomec group of companies comprising of production, packaging, logistics and distribution.</p> <div data-bbox="1027 815 1442 1308"> <p>Besfomec Group of Companies</p> <div> <div> <p>Besfomec (Health Care)</p> <p>- Healthcare supplements</p> </div> <div> <p>Besfomec (Industries)</p> <p>- Essence production</p> </div> </div> <div> <div> <p>Besfomec (Packaging)</p> <p>- Hamper Products</p> </div> <div> <p>Besfomec (Distributor)</p> <p>- Dealership</p> </div> </div> <div> <p>Besfomec (Realty)</p> <p>- Dealing with realty and property trading</p> </div> </div> <p>Third Generation</p> <p>Enterprise Development: Frequently upgraded products with the latest technology to produce evidence-based essence products and established a one stop health tourism gifts shop in Melaka to cater to worldwide tourists.</p> <div data-bbox="1027 1509 1442 1868"> <p>Besfomec Group of Companies</p> <div> <div> <p>Besfomec (Malaysia)</p> <p>- Herbs and Chicken essence - Bird nest concentrate - Health Tonics - Traditional Herbs</p> </div> <div> <p>Besfomec (Macau)</p> <p>- Distributed Fomec's health products - Well chosen best herbs from Macau - Collected more traditional remedies from China & Hong Kong</p> </div> </div> </div>
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<p>10. Baker Cottage (Small Scale Enterprise) (1994-2011)</p> <p>First Generation (Objective) Started by poultry chick farming in Johor dealing with Chicken rearing as contract farming Existence Stage</p> <p></p> <p>Survival Stage</p> <p></p> <p>Second Generation (Objective) Operated own poultry hatcheries and breeding farms to explore business opportunities in chicken meat processing and R & D in biotechnology Success Stage</p> <p></p> <p></p> <p>Third Generation (Objective) Produced own bakeryhouses through R & D in pastry products and group resource utilization Renewal Stage</p> <p></p> <p></p>	<p>First Generation</p> <p>Marketing: Distribution targeted at wholesale of day old chicks and broiler chicken from Johor to bigger towns such as Penang, Kuala Lumpur, Malacca and Singapore.</p> <p>Manufacturing: Equipped with poultry farming technology for chicken rearing, feeding and distribution.</p> <p>Management: Family management under founder and siblings partnership, turning into fully integrated poultry farming operations.</p> <p>Second Generation</p> <p>Marketing: Diversified activities, becoming Malaysia's main distributor of fresh chicken, processed meat and invested in the Philippines and Indonesia.</p> <p>Manufacturing: Equipped with feed milling technology in the breeding and production of chicken products, processing plants and biotechnology.</p> <p>Management: Lau family members trained to be involved in the livestock industry and retail market, assigning new professional managers to manage multi diversification business trading. Beginning to outsource the management service.</p> <p>Third Generation</p> <p>Marketing: Distribution targeted at retail confectionery Baker Cottage retail chain.</p> <p>Manufacturing: Equipped with automated technology in frozen dough, pastries & cakes, utilizing group resources</p> <p>Management: The third generation with creative ideas ran the confectionery retail chain and centralized management in line with the Leong Hup group from production to the distribution.</p>	<p>First Generation</p> <p>Strategy: The founder enjoyed economies of scale from bulk purchases and distributed chicks to the larger network and transformed poultry and breeding operations into integrated poultry farming operations.</p> <p>Second Generation</p> <p>Strategy: Leong Hup group is involved in operating poultry hatcheries and breeding farms in Malaysia, setting up overseas plants in Vietnam, the Philippines and Indonesia to capture bigger market demand and trend seeking behaviour. Venturing into chick related fast food cafés and pastries house.</p> <p>Third Generation</p> <p>Strategy: Younger third generation family members look forward in the bakery industry in Malaysia, establishing Baker Cottage pastries and mooncakes based on a vertical integration strategy.</p>	<p>First Generation</p> <p>Enterprise Development: Constantly embarked onto various horizontal and vertical diversification developments, shifting to contract farming.</p> <div><div>Leong Hup Contract Farming Sdn Bhd -Shifted from own farming to integrated contract farming</div><div>Leong Hup Group -Wholesale of broiler chicken, day old chicks, feed mills, biotechnology and farm building rental</div></div> <p>Second Generation</p> <p>Enterprise Development: Constantly upgraded from chick farming to chicken meat processing by establishing Ayam A1 café and Baker Cottage.</p> <div><div>Leong Hup Group of Companies<ul style="list-style-type: none">Emivest Group Berhad -Feedmill, agrottrade, agricultural & duck farmTeo Seng Group Capital Berhad -Farming, feedmill, paper products&Lee Say Group (Singapore) -Poultry industry, meat processing & manufacturingF.E.Venture -New business venture and labouratoriesThe Baker Cottage Group -Confectionery and restaurantLadang Tenaga Maju Group -Contract farming, poultry farm & A1 cafe</div></div> <p>Third Generation</p> <p>Enterprise Development: Frequently upgraded products with the latest technology, adopting traditional production recipes from the group that ventured into a confectionery retail chain.</p> <div><div>Baker Cottage Group of Companies<ul style="list-style-type: none">BC Confectionery (26 outlets) -Baker Cottage (Wilayah) -Baker Cottage (Selangor) -Baker Cottage (Sembilan) -Baker Cottage (Johor)TBC Restaurant & Café -Restaurant and light café -New set menu of baker cottage cruisine</div></div>
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<p>11. Ghee Hiang (Small Scale Enterprise) (1865-2011)</p> <p>First Generation (Objective) Adopted pastry production recipes from China to produce sesame oil and biscuits to serve Chinese immigrants in Penang. Existence Stage</p>  <p>Second Generation (Objective) Leading and pioneering Penang heritage food by Tau Sar Piah and baby brand sesame oil Survival Stage</p>  <p>Third Generation (Objective) Acclaimed for its brand heritage values through practiced traditional excellence and innovation in biotechnology Success Stage</p>  <p>Rejuvenate Stage</p> 	<p>First Generation</p> <p>Marketing: Distribution targeted at Chinese immigrants in Penang who shared similar cultures. Manufacturing: Equipped with traditional sesame oil and pastries production. Management: Family management under founder leadership. His wife sold the business to 4 families after the founder passed away.</p> <p>Second Generation</p> <p>Marketing: Diversified the business and targeted niche markets in Penang heritage food stuff to enhance tourism. Manufacturing: Equipped with semi-auto machines and retained hand-made fillings and production. Management: Ooi and Ch'ng families bought the majority of stakes from Yeoh and Yeah families as main shareholders for the Ghee Hiang Group.</p> <p>Third Generation</p> <p>Marketing: Distribution targeted at overseas Chinese and focused on global Halal opportunities in UAE countries. Manufacturing: Equipped with food safety technology to promote sesame oil medicine and focused on R & D in biotechnology. Management: Partnership between Ooi and Ch'ng in third and fourth generations, using senior management to lead junior staff, blending openness and innovative ideas.</p>	<p>First Generation</p> <p>Strategy: The founder invited the pastry chef from China, highlighting traditional excellence in food production to serve Chinese immigrants who were mostly labourers in Penang.</p> <p>Second Generation</p> <p>Strategy: The second generation used Ghee Hiang as a Penang heritage food stuff brand to turn Ghee Hiang into a popular stop as a tourism gift shop, promoting Tau Sar Piah biscuits and sesame oil as must-buy Penang products.</p> <p>Third Generation</p> <p>Strategy: Ghee Hiang highlighted traditions in promoting the excellence of Ghee Hiang brand products, turning Ghee Hiang into a museum sales boutique to promote Penang heritage business and tourism.</p>	<p>First Generation</p> <p>Enterprise Development: Constantly produced oriental pastries based on traditional cultural practices and produced traditional sesame oil with "Chop Ghee Hiang".</p> <div data-bbox="1029 324 1433 560"> <p>Chop Ghee Hiang -Traditional Chinese pastries flagship store at Beach Street, Penang</p> <ul style="list-style-type: none"> Oriental pastries and traditional biscuits Traditional baby brand sesame oil </div> <p>Second Generation</p> <p>Enterprise Development: Constantly upgraded from a small flagship store to manufacturer of Penang heritage food stuff</p> <div data-bbox="1029 795 1433 1153"> <p>Ghee Hiang Branches</p> <ul style="list-style-type: none"> Ghee Hiang (Beach Street) -Flagship store to produce Tau Sar Piah biscuits Ghee Hiang (Macalister Road) -Sales boutique as tourist destination Ghee Hiang Garden -Property and real estate Ghee Hiang Sesame oil -Baby brand sesame oil manufacturer </div> <p>Third Generation</p> <p>Enterprise Development: Frequently upgraded products with the latest technology to produce excellent Ghee Hiang biscuits and sesame oil medicine to transform it into a Penang heritage spot.</p> <div data-bbox="1029 1377 1433 1848"> <p>Ghee Hiang Group of Companies</p> <ul style="list-style-type: none"> Ghee Hiang Holdings <ul style="list-style-type: none"> -Ghee Hiang Estate -Ghee Hiang Residences -Ghee Hiang Gardens -Ghee Hiang 3-storey family homes Ghee Hiang Manufacturing <ul style="list-style-type: none"> -Ghee Hiang (Tau Sar Piah) -Ghee Hiang (Sesame Oil) -Ghee Hiang (Coffee) -Ghee Hiang (Food Stuffs) -Ghee Hiang (R & D) -Ghee Hiang (Museum Boutique) </div>
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<p>12. Kum Thim (Medium Scale Enterprise) (1970-2011)</p> <p>First Generation (Objective) Became accepted and recognized under the brand of Kum Thim sauces. Existence Stage</p> <p>↓</p>  <p>Survival Stage</p> <p>↓</p> 	<p>First Generation</p> <p>Marketing: Distribution targeted at households and local restaurants serving steamed dishes.</p> <p>Manufacturing: Equipped with traditional fermentation to produce Cantonese sauces.</p> <p>Management: Family member management under the founder's wife and eldest son handled daily production from orders by phone to distribution by lorry.</p>	<p>First Generation</p> <p>Strategy: As a leading pioneer in Malaysian sauces, they moderately promoted organizational capabilities and 3Ms to produce Kum Thim sauces suited to local Malaysian tastes and served by local restaurants, hotels and food operators.</p>	<p>First Generation</p> <p>Enterprise Development: Frequently purchased new premises with modernized technology to produce tasty aromaticsauces topenetrate into local restaurants and hotel chains in Malaysia.</p> <div><div>Kum Thim Home based business -Home based sauce production</div><div>Kum Thim Sauces Company -Moved from home based to shop lots equipped with high technology</div></div> <table><tr><th>Kum Thim (Household)</th><th>Kum Thim (Restaurant)</th></tr><tr><td>Local distribution channel -Household purchase -School Canteen -Hawker center -Food court -Shopping Complex food court corner</td><td>Malaysia restaurant and hotel chain -Local restaurant -Seafood restaurant -Food Catering -4/5 stars hotel -Cruise's bar or restaurant</td></tr></table>	Kum Thim (Household)	Kum Thim (Restaurant)	Local distribution channel -Household purchase -School Canteen -Hawker center -Food court -Shopping Complex food court corner	Malaysia restaurant and hotel chain -Local restaurant -Seafood restaurant -Food Catering -4/5 stars hotel -Cruise's bar or restaurant
Kum Thim (Household)	Kum Thim (Restaurant)						
Local distribution channel -Household purchase -School Canteen -Hawker center -Food court -Shopping Complex food court corner	Malaysia restaurant and hotel chain -Local restaurant -Seafood restaurant -Food Catering -4/5 stars hotel -Cruise's bar or restaurant						
<p>Second Generation (Objective) Produced core products representlocalMalaysianfood and specialties to achieve recognition in the global arena. Success Stage</p> <p>↓</p>  <p>Renewal Stage</p> <p>↓</p> 	<p>Second Generation</p> <p>Marketing: New distribution channels targeted overseas markets and hotel chains in China and UAE countries with the promotion of frozen food products.</p> <p>Manufacturing: Equipped with freezing technology and frozen storage to produce sauces and frozen foods targeted for export trading.</p> <p>Management: Family member management under the founder's well-educated heirs, giving full autonomy to their managerial staff to explore new opportunities and ideas blended with the staff's personal experience.</p>	<p>Second Generation</p> <p>Strategy: Moderately involved in R&D to innovate tacit knowledge, professionalize management, and improve production capabilities to facilitate Malaysian specialties such as Yee Sang and Dim Sum to stay unique and competitive in the global marketplace.</p>	<p>Second Generation</p> <p>Enterprise Development: Frequently upgraded products, keeping abreast with technological advancement. Specialising insauces and frozen food with networks in China, Hong Kong and UAE countries.</p> <div><div>Kum Thim Group of Companies</div><table><tr><td>Kum Thim Foods -Sauce products (Soy sauce, Chili sauce, oyster sauce, vinegar, sesame oil and lemon sauce) -Yee Sang foods</td><td>Jiang's Group (China) -China and Hong Kong style sauces (Halal and Non-Halal based)</td></tr><tr><td>A & K Food Industries -Dim Sum and frozen foods based on local Malaysianstyles</td><td>Thye Woh Sauces -Food processing for Halal and non-Halal sauces -Yee Sang preparation (vegetable slices and Yee Sang sauces)</td></tr></table></div>	Kum Thim Foods -Sauce products (Soy sauce, Chili sauce, oyster sauce, vinegar, sesame oil and lemon sauce) -Yee Sang foods	Jiang's Group (China) -China and Hong Kong style sauces (Halal and Non-Halal based)	A & K Food Industries -Dim Sum and frozen foods based on local Malaysianstyles	Thye Woh Sauces -Food processing for Halal and non-Halal sauces -Yee Sang preparation (vegetable slices and Yee Sang sauces)
Kum Thim Foods -Sauce products (Soy sauce, Chili sauce, oyster sauce, vinegar, sesame oil and lemon sauce) -Yee Sang foods	Jiang's Group (China) -China and Hong Kong style sauces (Halal and Non-Halal based)						
A & K Food Industries -Dim Sum and frozen foods based on local Malaysianstyles	Thye Woh Sauces -Food processing for Halal and non-Halal sauces -Yee Sang preparation (vegetable slices and Yee Sang sauces)						

<p>13. KLT Food Industries (Medium Scale Enterprise) (1972-2011)</p> <p>First Generation (Objective) Successful leading Malaysian restaurant focused on and introducing Hong Kong style cuisine Existence Stage</p>  <p>Survival Stage</p> 	<p>First Generation</p> <p>Marketing: Distribution targeted at the local community that like Hong Kong food and Dim Sum.</p> <p>Manufacturing: Equipped with previous hands-on working experience making Hong Kong Dim Sum and mooncakes.</p> <p>Management: Family members under the founder's management, wife and colleagues who worked in the restaurant to run the restaurant and catering service Efficiently.</p>	<p>First Generation</p> <p>Strategy: Pioneering and leading Malaysian Kam Lun Tai restaurant in the food industry, moderately promoting organizational capabilities and 3Ms to serve the Malaysian Chinese community who loved Hong Kong food and mooncakes.</p>	<p>First Generation</p> <p>Enterprise Development: Frequently purchased new premises with modernized technology to be the pioneering Dim Sum restaurant chain and later, food processing.</p> <div data-bbox="1023 331 1437 936"> <div>Loy Kee Dim Sum Restaurant (Central Market) -Produced Hong Kong Dim Sum</div> <div>Kum Lun Tai Restaurant (KL) -Promoted golden brand Kam Lun Tai to provide tea time and dinner dining for those who stay at Kum Lun Tai hotel</div> <div>Kum Lun Tai (Dim Sum) -Hong Kong Dim Sum -Chinese tarts and desserts -Fried crispy side dishes -Noodles -Mooncakes</div> <div>Kum Lun Tai (Restaurant) -Cantonese cuisine -Dining service -Wedding dinner -Company annual dinner</div> </div>
<p>Second Generation (Objective) Promoted Malaysian cuisine and A1 fabulous food derived from the new Kum Lun Tai menu and mooncakes Success Stage</p>  <p>Renewal Stage</p> 	<p>Second Generation</p> <p>Marketing: New distribution channel shifting from Kam Lun Tai restaurant business to food processing targeted at export trading.</p> <p>Manufacturing: Equipped with quality manufacturing practice to produce processed foods used in restaurants and its catering service.</p> <p>Management: Family members under the founder's heirs manage the family business. Sons are assigned to monitor food processing and create new menus for catering and wedding dinners while his daughter is assigned to manage restaurant operations.</p>	<p>Second Generation</p> <p>Strategy: Moderately involved in R&D to innovate tacit knowledge, professionalize management, and improve production capabilities to facilitate Malaysia fabulous food and create a new menu and food products with worldwide fusion.</p>	<p>Second Generation</p> <p>Enterprise Development: Frequently upgraded products, keeping abreast with technological advancements to create fusion food aligned with the changing demand and trends of Malaysia food lovers.</p> <div data-bbox="1023 1167 1437 2009"> <div>Kum Lun Tai Group of Companies</div> <div>Restaurant business -Kam Lun Tai Restaurant (Sri Petaling & Klang) -Imbi, Damansara and Jaya Palace Restaurant (Partnership business)</div> <div>Noodles House -Luxurious noodle house -Super Noodle house - Japanese restaurant</div> <div>Catering Service -Guardian Catering & Restaurant Sdn Bhd</div> <div>Food processing -Kam Lun Tai Cake House -KLT Food Industries</div> </div>

<p>14. Red Horse (Small Scale Enterprise) (1964-2011)</p> <p>First Generation (Objective) Leading manufacturer of concentrate juice cordials focused on tropical Malaysian fruit flavors. Existence Stage</p>  <p>Survival Stage</p>    <p>Second Generation (Objective) Pioneering and customized fruit juice cordial to enhance private labelling catered to export trading Success Stage</p>    <p>Renewal Stage</p> 	<p>First Generation</p> <p>Marketing: Distribution targeted at local Malaysian convenience stores and government bodies. Manufacturing: Ill-equipped with old machines and focused only on meeting customer requests in syrup varieties. Management: Led by the husband and wife, the children handle daily tasks as temporary workers or helpers during school holidays to have hands on working experience.</p> <p>Second Generation</p> <p>Marketing: Distribution targeted at end-users and clients recommended by previous customers to cater to export capacities from UAE's Halal market. Manufacturing: Equipped with Festo, German technology in mechatronic automation to cater to export capacities in private labelling. Management: Family members improve managerial tasks but there is a lack of focus to increase organizational flexibility since the founder still makes the bigger decisions in the organization.</p>	<p>First Generation</p> <p>Strategy: Less likely to promote organizational capabilities but introduced manufacturing protocols in producing tropical fruit cordials. Every staff followed rules and regulations to be a pioneering leading brand of fruit juice industry in Malaysia.</p> <p>Second Generation</p> <p>Strategy: Less likely to introduce R&D and professional management within creased production capabilities but trying hard to promote in-house R & D, later proceeding to private labelling. Retained fruit juice cordials as their core product without diversifying into other products.</p>	<p>First Generation</p> <p>Enterprise Development: Less likely to acquire new premises or establish subsidiaries. Prefers to specialize in producing concentrate juice cordials and retain old customers.</p> <div data-bbox="1026 331 1436 1097"> <div> <p>Red Horse Van Selling (Home Based) -Home based fruit juice production</p> </div> <div> <p>Red Horse Juice Manufacturer Sdn Bhd -Produced squashes, cordials and syrups based on Malaysia tropical fruit flavors</p> </div> <div> <p>Red Horse (Convenience Store)</p> <p>Distribution Channel -Convenience Store -Sundry Shop -Market -Mini Mart -Mini Supermarket</p> </div> <div> <p>Red Horse (Government & Private)</p> <p>Distribution Channel -School canteen -Food court -Government bodies -Food catering -Restaurant</p> </div> <div> <p>Hon Nyit Sin & Sons Realty -Rental collection on purchased premises -Investment holding</p> </div> </div> <p>Second Generation</p> <p>Enterprise Development: Less likely to upgrade, though strongly influenced by 3Ms, keeps abreast with technological advancements and emphasizes hygienic and safety product packaging to enhance private labelling in export trading.</p> <div data-bbox="1026 1310 1436 1646"> <p>Red Horse Group of Companies</p> <div> <p>Red Horse Fruit Juice</p> <p>-Red Horse fruit juice cordials -Borr's fruit juice cordials -OEM fruit juice cordials</p> </div> <div> <p>Shoon Kee Fruit Juice</p> <p>-B & P fruit juice cordials -Nikmat fruit juice cordials -Happy baby trademark -Rabbit trademark</p> </div> </div>
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<p>15. Hei Hwang (Small Scale Enterprise) (1975-2011)</p> <p>First Generation (Objective) Produced traditional herbal drinks and ventured into instant beverages with Ipoh white coffee Existence Stage</p> <p>↓</p>  <p>Declining Stage</p> <p>↓</p>  <p>Survival Stage</p> <p>↓</p>  <p>Second Generation (Objective) Leading manufacturer of Hei Hwang instant Coffee series and health drinks to create a healthy lifestyle. Success Stage</p> <p>↓</p>  <p>↓</p>  <p>Renewal Stage</p> <p>↓</p>   	<p>First Generation</p> <p>Marketing : Established shop lots and produced traditional herbal drinks, venturing into instant packaging with Ipoh white coffee.</p> <p>Manufacturing : Equipped with machines previously used to produce herbal drinks transformed into roasting coffee beans and brewing techniques.</p> <p>Management : Family members under the founder's leadership came with sibling partnership, each brother monitoring business operations as store or shop assistants.</p> <p>Second Generation</p> <p>Marketing : Mainly distributed Hei Hwang products to overseas Chinese markets in Southeast Asia.</p> <p>Manufacturing : Equipped with roasting technology to produce Hei Hwang instant coffee and health supplements.</p> <p>Management: Older brother monitored the local market while the younger brother monitored Chinese subsidiaries in contract farming and export trading to innovate supply chain management.</p>	<p>First Generation</p> <p>Strategy: Less likely to promote 3Ms but learnt to produce instant coffee beverages. Developed tacit knowledge to produce instant Ipoh Coffee, representing Malaysia's most potential products in export trading.</p> <p>Second Generation</p> <p>Strategy: More likely to promote 3Ms but utilized the land bought in Guangdong as contract farming, sending beans for further processing in Malaysia. In Malaysia, the instant coffee series is exported to China and distributed health powders in Singapore as the main distributor agent in Southeast Asia.</p>	<p>First Generation</p> <p>Enterprise Development: Constantly upgraded machines and recruited technical staff to venture into instant coffee processing. China appointed Hei Hwang as its most favorite brand of Ipoh white coffee.</p> <div data-bbox="1023 338 1437 898"> <p>Dayo Food Industries (M) Sdn Bhd (Ipoh Based) -Produced traditional herbal drinks</p> <p>↓</p> <p>Hei Hwang Food Industries -Produced instant Ipoh coffee series and instant health drinks</p> <p>↓</p> <div> <div> <p>Hei Hwang (Ipoh Based)</p> <p>Distribution Channel -Convenience Store -Sundry Shop -Vegetarian restaurant -Mini Mart -Organic shop</p> </div> <div> <p>Hei Hwang (Distributor & Dealership)</p> <p>Distribution Channel -Local distributor in Malaysia -China sole distributor -Singapore sole distributor</p> </div> </div> </div> <p>Second Generation</p> <p>Enterprise Development: Constantly upgraded machines and recruited managers to involve 3Ms and ventured into organic vegetarian farms and health supplements.</p> <div data-bbox="1023 1173 1437 1794"> <p>Hei Hwang Food Industries</p> <p>↓</p> <div> <div> <p>Hei Hwang (Ipoh based)</p> <p>Distributed the products to Malaysia, Singapore and China -Health supplements -Beverage supplements</p> </div> <div> <p>Hei Hwang (China)</p> <p>Established food processing plant in China -Veggie foods -Oats and grains -Cereals -Beans and soya</p> </div> </div> <p>↓</p> <div> <div> <p>Hei Hwang (Singapore)</p> <p>Assigned Singapore as main distributor:- -Chinese medical hall -Provision shops -Organic shops -Sheng Siong mart -Mustafa -Other Oversea Chinese markets</p> </div> <div> <p>Exported processed food to Malaysia from China -Soya beans powder -Oat Milk -Pumpkin Soap -Grain Cereals -Sesame seeds powder</p> </div> </div> </div>
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<p>16. Eng Hup Seng (Small Scale Enterprise) (1987-2011)</p> <p>First Generation (Objective) Produce sesame oil, adopting traditional production from the founder's previous experiences when he moved from China to Malaya</p> <p>Existence Stage</p>  <p>Survival Stage</p>  <p>Declining Stage</p>  <p>Second Generation (Objective) Leading contract manufacturing to provide private labelling and bulk selling services to capture bigger markets</p> <p>Success Stage</p>  <p>Renewal Stage</p>    	<p>First Generation</p> <p>Marketing: Distribution targeted end-users, relying on local customers</p> <p>Manufacturing: Ill-equipped with old machines and focused on natural fermentation using ceramic storage tanks. Poor storage conditions and a dirty environment.</p> <p>Management: Family member management under the founder leadership with his wife and olderson. Quick decision making by employing his own relatives as permanent or temporary workers to speed up production.</p> <p>Second Generation</p> <p>Marketing: Distribution targeted at end-users and clients recommended by previous customers, shifting from a local food operation chain to larger food processors such as Lam Soon and Nestle.</p> <p>Manufacturing: Equipped with new sauce production and packaging machines to enhance private labelling and export trading.</p> <p>Management: Family member management improved from time to time. Effective administrative coordination within internal operations (domestic market) and external operations (international market) clearly identified.</p>	<p>First Generation</p> <p>Strategy: Less likely to promote organizational capabilities but introduced manufacturing protocols in the natural fermentation process, solely decided by the founder from pick up, production and distribution.</p> <p>Second Generation</p> <p>Strategy: Less likely to introduce R&D and professional management or increased production capabilities but promoted a flattened organization to enhance innovativeness whereby staff are allowed to access company administration and customer relation management to enhance knowledge sharing.</p>	<p>First Generation</p> <p>Enterprise Development: Less likely to acquire new premises or established subsidiaries. Preferred to focus on its main branch in Sungai Buloh, implementing integrated manufacturing processes. Retained old customers and appointed as a long time supplier in the food processing industry.</p> <div style="border: 1px solid red; padding: 5px; margin: 5px;"> <p>Eng Hup Seng Sesame oil (Home based) -Produced sesame oil and sauces.</p> </div> <div style="border: 1px solid red; padding: 5px; margin: 5px;"> <p>Eng Hup Seng Sesame oil and Sauces -Produce a series of sesame oil and sauces in different brand to cater the niche market.</p> </div> <div style="display: flex; justify-content: space-between;"> <div style="width: 48%;"> <div style="border: 1px solid green; padding: 5px; margin: 5px;"> <p>Eng Hup Seng (Mother Brand)</p> <p>Mother brand sauces -Sesame oil -Light and thick soy sauce -Bean paste -Vinegar -Plum sauce -Oyster sauce</p> </div> </div> <div style="width: 48%;"> <div style="border: 1px solid green; padding: 5px; margin: 5px;"> <p>Eng Hup Seng (Other Brand)</p> <p>Other brands -Bamboo brand Chili sauce -Bleach -Wei Chuan brand Chili/Tomato sauce -Dish liquid cleaner</p> </div> </div> </div> <p>Second Generation</p> <p>Enterprise Development: Less likely to upgrade and strongly influenced by 3Ms, keeping abreast with technological advancements to produce sesame oil.</p> <div style="border: 1px solid red; padding: 5px; margin: 5px;"> <p>Eng Hup Seng Sesame oil & Sauce</p> </div> <div style="display: flex; justify-content: space-between;"> <div style="width: 48%;"> <div style="border: 1px solid green; padding: 5px; margin: 5px;"> <p>Eng Hup Seng (Sauces)</p> <p>Sauces delivered to Malaysia major supermarkets -Giant Supermarket -Tesco -Carrefour -Aeon Jusco -Cold storage -Econsave</p> </div> </div> <div style="width: 48%;"> <div style="border: 1px solid green; padding: 5px; margin: 5px;"> <p>Eng Hup Seng (Private Labeling)</p> <p>Sauces delivered to larger food processing companies -Nestle -Yee Lee -Lam Soon -Sang Kee Oil</p> </div> </div> </div> <div style="display: flex; justify-content: space-between;"> <div style="width: 48%;"> <div style="border: 1px solid green; padding: 5px; margin: 5px;"> <p>Eng Hup Seng (Export)</p> <p>Sauces distributed to international market -Australia/New Zealand -Europe -Singapore -Hong Kong/China -Indonesia -South Korea</p> </div> </div> <div style="width: 48%;"> <div style="border: 1px solid green; padding: 5px; margin: 5px;"> <p>Private labeling with specific packaging requirement identified -Bottle design -Metal container -Plastic packaging -Souvenir packaging</p> </div> </div> </div>
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<p>17. Regent Food (Small Scale Enterprise) (1981-2011)</p> <p>First Generation (Objective) Appointed nuts and beans supplier for the local community, such as school canteens and hawker centres Existence Stage</p>  <p>Survival Stage</p>  	<p>First Generation</p> <p>Marketing: Distribution targeted at end-users, thus produced and distributed peas and nuts products within the Malaysian market.</p> <p>Manufacturing: Ill-equipped with old machines using frying cooking techniques to distribute fried peas and nuts.</p> <p>Management: Family member management under the founder's leadership. The founder's daughter monitored production, later passing it on to the founder's son after graduating from University.</p>	<p>First Generation</p> <p>Strategy: Less likely to promote organizational capabilities but introduced manufacturing protocols where every staff should follow peas and nuts cooking procedures from selecting, washing, frying and packaging solely decided by the founder.</p>	<p>First Generation</p> <p>Enterprise Development: Less likely to acquire new premises or established subsidiaries. Sourced for a better supply of nuts and peas from various countries. Networked with toys and food stuff associations to develop the business with local food operations and hawker centers.</p> <div style="border: 1px solid red; padding: 5px; margin: 5px;"> <p>Regent Foods (Home based) -Produced fried peanuts upon request by customers</p> </div> <div style="border: 1px solid red; padding: 5px; margin: 5px;"> <p>Regent Food Products (M) Sdn Bhd -Choose quality peas and nuts to meet customer requirements</p> </div> <div style="display: flex; justify-content: space-between;"> <div style="border: 1px solid green; padding: 5px; width: 45%;"> <p>Regent Food (Raw Peas and Nuts)</p> <p>Raw Peas and Nuts -India broad beans -Sri Lanka casher nuts -Myanmar chickpeas -Cambodia green beans -China peanuts</p> </div> <div style="border: 1px solid green; padding: 5px; width: 45%;"> <p>Regent Food (Processed Nuts)</p> <p>Processed nuts -Salty nuts -Spicy Nuts -Sweet Honey Nuts -Flavor coated nuts -Mix Nuts</p> </div> </div>
<p>Second Generation (Objective) Leading manufacturer and exporter for premium peas and nuts by adding flavors to suit export trading Success Stage</p>  <p>Renewal Stage</p>  	<p>Second Generation</p> <p>Marketing: Distribution targeted end-users and clients recommended by previous customers, shifting from hawker centers to private labelling export trading.</p> <p>Manufacturing: Equipped with dry roasting technology equipped with hazard free stainless steel ovens to produce flavored peas and nuts.</p> <p>Management: Family members under the founder's heir's leadership. The next generation expanded into the international market and export trading to innovate supply chain management.</p>	<p>Second Generation</p> <p>Strategy: Less likely to introduce R&D and professional management or increase production capabilities, promoting a flattened organization style to enhance innovativeness and provide online customization. Introduced a fumigation method for export trading.</p>	<p>Second Generation</p> <p>Enterprise Development: Less likely to upgrade, though strongly influenced by 3Ms, keeping abreast with technological advancements by keeping pace with market demand and is a leading supplier of peas and nuts in southeast Asia.</p> <div style="border: 1px solid red; padding: 5px; margin: 5px;"> <p>Regent Food Products (M) Sdn Bhd</p> </div> <div style="display: flex; justify-content: space-between;"> <div style="border: 1px solid green; padding: 5px; width: 45%;"> <p>Regent Food (Domestic)</p> <p>Packaging size based on food operator or hawker center requirements to enhance private labelling</p> </div> <div style="border: 1px solid green; padding: 5px; width: 45%;"> <p>Regent Food (Export)</p> <p>Packaging size based on export trading requirements from small to large packaging</p> </div> </div> <div style="border: 1px solid green; padding: 5px; margin: 5px;"> <p>Regent Food Products</p> <p>-Flavor peas and nuts -Spicy peas and nuts -Healthy peanuts -Sweet corn peanuts -Western peanuts -Roasted peanuts -Cracker nuts</p> </div>

Table 5.6 illustrates the 3Ms evolution, aligned with implemented strategies to develop the family business across generations. The table illustrates the benefits of having entrepreneurial leaders across generations. The key factor is having an entrepreneurial family member to enhance the 3Ms and lead the family business. As shown in Table 5.6, the transformation of these 18 family SMEs very much depended on the quality, vision and drive of succeeding next generation, by achieving numerous targets in the domestic and international marketplace.

Tables 5.5 and 5.6 indicate that in Kum Thim and King's Confectionery, the next generation achieved important breakthroughs in industry practice which were key to their development. Mun Siew Loong chose not to follow the standard business model of existing major local sauce manufacturers such as Kimball, Maggie or Lee Kum Kee in selling different types of sauces located in major hypermarkets in Malaysia. Instead, he carved out for Kum Thim a distinctive market niche by improving the firm's 3Ms. This involved the manufacturing of different types of sauces (based on their tacit knowledge) and marketing them to major hotels, restaurants and food operation chains. This process was aided by investment in R&D to achieve the stringent food requirement standards set in the UK. Later, Kum Thim even ventured into frozen food, Yee Sang specialties and halal Dim Sum to promote the uniqueness of Malaysian food culture in the domestic and international marketplace.

Table 5.6: Analysis of Effect of Generational Change on Tacit Knowledge, 3Ms and Organizational Outcomes in Food Production

Family Enterprises/ Business Nature	Type of Enterprise	Year of establishment/ Generation/ Succession	Marketing changes	Manufacturing Changes	Management Changes	Strategy (1 st Generation)	Strategy (Next Generation)	Enterprise development (1 st Generation)	Enterprise development (Next Generation)
1.Eu Yan Sang (EYS) (Chinese Herbs)	Large Enterprise	1842-2011 (3 rd Generation) (Father-Cousin)	From tin-mining workers to Chinese medicinal practice	From traditional remedies to a scientific approach to herbal supplements	From attorney management to a central administrative system	Promoted herbal concoctions by opening Chinese medical halls	Developed therapeutic formulations for treatment of certain illnesses	From Yan Sang medical hall to Eu Yan Sang medical hall	From EYS to TCM clinics, property & real estate and food biotechnology
2. Khong Guan (Biscuits)	Large Enterprise	1937-2011 (3 rd Generation) (Father-Nephew)	From Chinese markets to non-Chinese markets	From old metal scraps to Australia Arnotts biscuit formulation	From hiring staff from China to professional management	Promoted businesses related to primary trade	Developed an Asian brand to serve the Western market	From biscuit production to flour milling and investment	From biscuits to Asian food
3. London Biscuit (Biscuits)	Large Enterprise	1994-2011 (2 nd Generation) (Father-Son)	From kid's corn snacks to instant based confectionery	From savoury corn snacks to instant twist packaging technology	From family management to COO/CEO management	Promoted acquiring strategies to master technology	Developed Malaysia's largest instant confectionery for export	From snack foods to multiple confectionery	From local corn snacks to integrated instant food
4. Tatawa (Biscuits)	Medium Enterprise	1981-2011 (2 nd Generation) (Father-Nephew)	From wedding cakes to Japanese biscuits	From wedding cake moulds to export-based biscuit production	From family pastries house to Tatawa management	Promoted customized order strategy upon request for export	Developed food technology to explore niche markets	Upgraded to OEM biscuits to move away from generational shadows	From Tatawa joint ventures with sister company
5. King's Confection (Cakes & Breads)	Medium Enterprise	1977-2011 (2 nd Generation) (Father-Daughter-Son)	From hawker food centers to confectionery & lifestyle café retailing	From home-based oven bakeries to aking and pastries technology	From daughter's bakeries production to son's retailing management	Promoted Hainanese style pastries and bakeries	Developed retailing and franchising confectioneries and lifestyle cafés	From hawker stalls to King's pastries retail chain	From King's outlet to franchising with Tesco
6. Laksamana Usaha (Noodles)	Medium Enterprise	1975-2011 (2 nd Generation) (Father-Son-Daughter)	From an ethnic enterprise in Malaysia to halal Chinese food	From hand-made noodles production to introduction of clean technology	From family involvement to partnership with Malays and Thais	Promoted prompt delivery by van and cash on delivery	Developed cleanest halal-based noodle production in Malaysia	From home-based noodles production to warehouse production	From noodle production to halal-based noodle expert
7. TPC Plus (Egg)	Large Enterprise	1976-2011 (2 nd Generation) (Brother-Outsider)	From food operation chain to biotechnology	From poultry farming to in-house R&D facilities	From Yee family to Liew family ownership	Promoted Wasaco and eggs supply to McDonalds	Developed integrated poultry farm, ventured into biotechnology	From own farming to contract farming	From poultry farming to organic vinegar farm
8. Vit Makanan (Noodles)	Medium Enterprise	1975-2011 (2 nd Generation) (Father-Son)	From Taiwanese food to UK Tesco chains	From oil fried to air dried instant noodles production	From founder leadership to cyber virtual management	Promoted authentic Malaysian style instant noodles	Developed supply chain halal-based SMEs foods	From small premises to large noodles warehousing	From Vit's instant food to global export of halal food
9. Besfomec (Chinese Herbs)	Medium Enterprise	1948-2011 (3 rd Generation) (Father-Nephew)	From local TCM to overseas Chinese markets	From traditional herb remedies to essence health supplements	From traditional to East and West Management	Promoted physician and herb remedies to the local community	Developed herbal remedies with a scientific approach	From a herbal shop to a clinical medical hall	From herbal essences to health tourism and gifts shop

Family Enterprises/ Business Nature	Type of Enterprise	Year of establishment/ Generation/ Succession	Marketing changes	Manufacturing Changes	Management Changes	Strategy (1 st Generation)	Strategy (Next Generation)	Enterprise development (1 st Generation)	Enterprise development (Next Generation)
10. Baker Cottage (Bakeries)	Large Enterprise	1994-2011 (3 rd Generation) (Father-Son- Grandson)	From chick farming to a pastries retail chain	From chicken farming operations to integrated food processing	From family involvement to centralized management	Promoted poultry farming and the livestock industry	Developed food processing in chicken and confectionery	From own farming to contract farming	From integrated farming to bakery houses
11. Ghee Hiang (Sesame oil & Biscuits)	Small Enterprise	1865-2011 (3 rd Generation) (Father-Friends- Family)	From an oriental pastries lover to a tourist spot for Penang heritage food	From traditional recipes to biotechnology insesame seeds	From four family ownership to Ooi and Ch'ng family ownership management	Promoted Chinese origin food culture by inviting a pastry chef to Penang	Developed traditional excellence inPenang food	Upgraded from an oriental pastries shop to sesame oil and Tau Sar Piah biscuit production	Upgraded from food production to Ghee Hiang Food and Ghee Hiang Holding
12. Khum Thim (Soy Sauce)	Medium Enterprise	1970-2011 (2 nd Generation) (Father-Son)	From a local Chinese restaurant to a hotel chain and export trading	From natural fermentation to frozen food technology and production	From founder networking management to supply chain management	Promoted experience based on reputation for sauce production	Developed Malaysian sauces production and recognized in the global market	Upgraded from home based door-to door selling to a sauce production factory	Upgraded from sauce production to subsidiaries of frozen food and Yee Sang
13. KLT Food Industries (Restaurant)	Medium Enterprise	1972-2011 (2 nd Generation) (Father- Daughter-Son)	From Hong Kong food to KLT group infood production	From Dim Sum making to KLT dining cuisine, mooncakes and processed food	From a restaurant keeper to food operation and processing chain	Promoted Hong Kong style cuisine to Malaysia diners	Developed KLT food production to promote fabulous food 1 Malaysia	Upgraded from a hawker business to a popular dining restaurant	Upgraded from a dining restaurant chain to KLT food industries
14. Red Horse (Cordials)	Small Enterprise	1964-2011 (2 nd Generation) (Father-Son)	From local food chain to export-based halal market	From syrup-making to Festo mechatronic in private labelling	From founder's protocol to more flexible dynamics	Promoted Red Horse concentrate juice as its core product	Developed multiple trademarks to promote private labels	Upgraded from van selling to fruit juice factory warehousing	Upgraded from juice factory to private label production
15. Hei Hwang (Coffee)	Small Enterprise	1975-2011 (2 nd Generation) (Father-Son)	From herbal practitioners to a healthy lifestyle	From herbal remedies to instant health beverages	From family management to network management	Promoted instant Ipoh coffee to replace herbal drinks	Developed health drinks and contract farming	Upgraded from herbal to instant beverages production	Upgraded from instant beverages to health drinks
16. Eng Hup Seng (Sesame Oil)	Small Enterprise	1987-2011 (2 nd Generation) (Father-Son)	From household to larger food processing	From natural fermentation to selling in bulk private labelling	From founder leadership to sibling partnership	Promoted home based traditional sesame oil production	Developed sauce production in different private labels	Upgraded from home-based to sauce production	Upgraded from sauce production to export- based private labels
17. Regent Food (Peanuts)	Small Enterprise	1981-2011 (2 nd Generation) (Father-Son)	From a hawker center to food operations and export trading	From unhealthy frying to oven healthy roasted technology	From authoritarian leadership to outsourcedmanageme nt	Promoted production by relying on business networks	Developed new products and stressed on fumigation in exports	Upgraded from home based fried nuts to food processing	Upgraded from nuts processing to export based private labels

Tables 5.5 and 5.6 also indicate that the most important factor which influenced these SMEs' development was their ability to re-strategize the 3Ms. The issue of entrepreneurship was of paramount importance in these family businesses. Both Tatawa and Hei Hwang believed that entrepreneurs in the family business are not born, they are bred, allowing the next generation to build on the entrepreneurial spirit of the founder to take the family enterprise to a higher level. For Ng Yee Hui, "being an entrepreneur meant always needing to think out of the box, to create his own organizational culture embedded within his own identity and uniqueness to ensure longevity⁴⁵". Ng Yee Hui was responsible for the idea to re-strategize the 3Ms by incorporating ideas from Japanese customization to produce appealing packaging and high quality biscuits for export, an endeavor entirely different from its traditional pastries production activity. As a result, Tatawa began to register a remarkable rise in turnover, from RM9.96 million in 2001 to RM12.51 million in 2002 as well as an increase in pre-tax profits, from RM563,473 in 2001 to RM1.46 million in 2002⁴⁶.

In contrast, the next generation, Lee Haw Yuan and Lee Haw Huang, from Hei Hwang were driven by their passion to seek a breakthrough to improve their herbal drink operations by producing instant mix Ipoh coffee. It later also became a one-stop health supplements and organic food producer. This transformed its business to keep pace with economic changes. In the case of King's Confectionery, Wong Yoke Khing improved marketing by developing the hawker style bakeries business into a retail shop, and then increased production by establishing a factory to produce pastries, before going on to create a confectionery retail chain and lifestyle café. This was a pattern of growth its management had originally not imagined possible. King's Confectionery would eventually go into business franchising, targeting rural areas in Malaysia and

⁴⁵ Interview conducted (19.10.2011, 7-9pm) with the second generation's marketing director from Tatawa, Andy Ng Yee Hui.

⁴⁶ Profit and loss account from Tatawa's financial statement, 2001-2002, SSM.

subsequently, Bangladesh. Although Pak Hailam lifestyle Café performance reports registered a net loss of RM558, 502 in 2008 followed by RM584, 877 in 2009,⁴⁷ the management still insisted on opening more outlets with plans to penetrate Malaysia's hypermarkets such as Tesco and Aeon.

With small scale SMEs such as Red Horse, Eng Hup Seng and Regent Food, the next generation had to develop management techniques with outsiders, outsource to business partners and improve R&D create export capacities by enhancing their labels in order to remain a viable enterprise. To Eng Hup Seng, the next generation promoted private labels to the largest food manufacturers as a means to bring out bright ideas about different packaging techniques. In Red Horse and Regent Food, on the other hand, the next generation allowed for a more flexible dynamic organization structure to promote their labels.

During the first generation, decision-making authority rested solely with the founder. This can be attributed to a lack of formal structure in the family business with centralized decision-making authority. Delegation of responsibilities by the first generation to his subordinates was low. When the next generation joined in to expand the family business, the 3Ms would evolve from a founder-centred structure to a more formal hierarchy with differentiated functions. The next generation's expectations were very different from the founder. This shift towards professionalism is a major characteristic observed among these SMEs. The next generation moved from managing through informal linkages and regular face-to-face contact to formalizing linkages and having defined responsibilities. Some even moved into a flattened organization structure to encourage flow of innovation to promote new food trends (see Table 5.7).

⁴⁷ Profit and loss account from Pak Hailam's financial statement, 2008-2009, SSM.

Table 5.7: Analysis of Effect of Generational Change, Strategy Management in 3Ms and Enterprise Development in Food Production

Size and Age of Family Enterprise	Generational Change in 3Ms	Strategic Management in 3Ms	Enterprise Development in 3Ms
Large Scale Family Enterprise Food (London Biscuit, Khong Guan, Eu Yan Sang, Baker's Cottage and TPC Plus)	From First to the Next Generation Marketing: Marketed as Asian foods such as biscuits, TCM, canned drinks and food. Manufacturing: Manufactured under new adopted technology such as tetra packaging, twist wrapping with Disney character and frozen technology. Management: Managed under joint ventures with Ajinomoto, British natural product, Lonbisco and Arnott.	From First to the Next Generation Strategy: Developed 3Ms to engage between traditional methods with globalized trends such as therapeutic formulated medicine, Southeast Asia instant confectionery, Asian and tropical canned foods and drinks and Malaysian pastries.	From First to the Next Generation Enterprise Development: Upgraded the enterprise to innovate tacit knowledge into different approaches such as a TCM healing centre, East-west assorted biscuits production, tropical Southeast Asian canned foods, biotechnology poultry farming and livestock industry.
Medium Scale Family Enterprise Food (Tatawa, Kum Thim, King's Confectionery, KLT Food, Laksamana Usaha, Vit Makanan, Besfomec)	From First to the Next Generation Marketing: Marketed as famous local brands such as King's pastries, Kum Lun Tai's restaurant chain, Vit's instant noodles and Fomec essence products. Manufacturing: Manufactured through value-added technology to achieve recognition such as clean technology, convenience frozen technology, healthy air-dried production and good manufacturing practice. Management: Managed under flatted organization to enhance openness in ideas such as COO/CEO management, cyber virtual management and formed R&D teams.	From First to the Next Generation Strategy: Developed 3Ms to improve food production with market recognition such as cholesterol free King's bakeries, herbal remedies essence, UK Tesco stores Halal instant noodles and Japanese Tianje mooncake production.	From First to the Next Generation Enterprise Development: Upgraded the enterprise to innovate tacit knowledge and increase lifestyle choices such as lifestyle cafés, fusion food operation chains, tourism gift shops and Malaysia's cleanest noodles enterprise.
Small Scale Family Enterprise Food (Red Horse, Hei Hwang, Regent Food, Eng Hup Seng, Ghee Hiang)	From First to the Next Generation Marketing: Marketed as personalized private labels to target export markets such as fruit juice trademark labels, order upon request peanuts and health supplements. Manufacturing: Manufactured under private labels, customization and sell-in-bulk to capture larger markets such as mechatronics labelling, instant coffee and commercial grade sesame oil. Management: Managed under flexible organization to enhance the free flow of innovative ideas away from generational shadows such as outsourcing, professional management and staff engagement.	From First to the Next Generation Strategy: Developed 3Ms to capture a bigger market with penetration through exports such as halal fruit juice for Arabian countries, Southeast Asian sauces for Asian marts and Penang heritage foods for tourists.	From First to the Next Generation Enterprise Development: Upgraded the enterprise to innovate tacit knowledge but still remain a single product enterprise such as fruit juice cordials producer, instant beverages specialists, and peanut expertise.

As indicated in Table 5.7, large and medium scale SMEs were able to introduce important 3M reforms following a generational shift that had bearing on innovative production and marketing techniques. These reforms included, particularly in large firms, decentralized IT management involving financial matters to achieve a profitable performance for the family business. Medium scale SMEs were particularly able to seize new markets and business opportunities in food production. The table also indicates that some medium and small scale SMEs successfully split their delegated duties into different food production goods, aligned with the government's effort to promote local food products. For instance, Hei Hwang was able to delegate duties to the Lee brothers to promote export and import business opportunities for Ipoh Coffee and health beverages in order to cope with the declining business in traditional herbal drinks production during the first generation. As a result, Hei Hwang's brothers were able to team up with farmers from China and, at the same time, explore more business opportunities in Malaysia-China investment links, particularly involving agro-based products.

Table 5.7 shows how the 3Ms of this change process carried out by the next generation led to favourable outcomes for the family business in terms of achieving recognition for their unique core products in the domestic and international marketplace. Before the establishment of 3Ms, the family business usually lacked specific knowledge of how to upgrade product quality. It was thus, a challenge to remain competitive. Knowledge transfer from the founder to the second or third generation was particularly crucial in determining the survival rate of a family business when passed to the succeeding generation who have the capacity to upgrade the quality and range of the goods produced.

This is illustrated in cases such as Eu Yan Sang, Besfomec and Ghee Hiang. The next generation usually had the experience and ideas to adopt traditional tacit knowledge from their founder and develop Asia's finest production methods in Traditional Chinese Medicine (TCM), herbal remedies of essence products and oriental pastries that enabled them to appeal to an overseas market. In the case of Eu Yan Sang, the knowledge adopted from the traditional Chinese herbal sector has been codified into a variety of TCM herbs and traditional medication capsules and powders. The same process was seen in Besfomec which, through much research and testing, the next generation finally hit upon the right formula for their new products. As mentioned in the case of Ghee Hiang, the firm maintained traditional food preparation methods in sesame oil and oriental pastries to emerge as a firm producing heritage food stuff.

5.8 Strategy Management of SMEs in Food Production

Most of these SMEs implemented a strategy that can be referred to as “earning legitimacy”, a process that occurs after a generational change. However, notwithstanding the differences in management styles and strategy implementation between leaders of different generations, not every strategy was implemented at the same time while some key variables were activated at different points of time. Most medium scale and large scale family SMEs in food production as shown in Tables 5.5, 5.6 and 5.7 add value in the processing chain to achieve recognition and capture a bigger share in the international marketplace. Medium scale SMEs were keen to adopt foreign technology. For example, Tatawa successfully obtained HACCP FSSC 2000 Bureau Veritas Certification, the imprimatur for stringent food quality control, in order to explore more market opportunities. The firm subsequently ventured into Japanese style Tianje⁴⁸

⁴⁸“Tianje” refers to the name adopted from a Chinese and Japanese character that means honorable, respectful, talented, skillful

mooncakes, also setting up a food technology laboratory to identify which type of products were suitable and fit for export.

A segregation of the 3Ms was clearly evident in large-scale enterprises, allowing siblings and professional staff to enforce restructuring processes. The second and third generation usually had to demonstrate his or her ability to improve leadership, having earned the legitimacy to transform their respective family business. In the case of Baker's Cottage, Marvin Lau became the official third generation CEO with the responsibility of expanding the traditional bakeries into a bakeries retail chain, enhancing the centralized administrative system linked with the parent company and adopting the latest technology to produce signature mooncakes⁴⁹.

The innovation culture can be transferred from one generation to the next, possibly due to the fact that the founder and the next generation are willing to accept each other's skills which contribute to knowledge transformation (see Table 5.8). This was reiterated by Dato Liew Yew Chung, second generation CEO of London Biscuit Berhad during the interview where he stated:

*"If I did not have the self-confidence to lead Lonbisco, Lonbisco would face a great dilemma since we have other subsidiaries (Kinos, Khee San and TPC Plus) with different lines of production to cater different markets. I was able to integrate with my siblings involvement and professional management tore-strategize, renew and rejuvenate the business."*⁵⁰

An important factor as shown in Table 5.8 relates to inter-generational difference in innovative capacity among the SMEs and the implications of this on organizational structure. One can argue that the traditional, intuitive and entrepreneurial style of the

people. Tatawa Biscuits adopted Japanese ideas to produce Tianje biscuits.

⁴⁹Mooncakes refers to sweet bakeries traditionally consumed during the Mooncake festival. The Mooncake festival is one of the four most important Chinese festivals.

⁵⁰ Interview conducted (20.8.2012, 5-7pm) in London Biscuit Berhad, Johor Bharu.






patriarch served these family businesses well in its early establishment and expansion. However, as the family business grew in size, complexity and global reach, the traditional style of the aging patriarchs came to be increasingly at odds with the need for innovation. The first generation had a particular tacit knowledge that allowed the firm to grow during a specific period in history. The founder was open to adopting innovation to develop tacit knowledge but the founder lacked the expertise or professional managers to develop the business. However, a revolution began when the next generation emerged.

For example, as shown in Table 5.8, King's Confectionery's, Wong Yoke Khing's intuition and experience were hallmarks of her entrepreneurial management style and her innovative behaviour. Wong Yoke Khing's invention of King's Confectionery's pastries was adapted from the accumulated experience of serving western pastries during the British colonial period. Wong Ley Hoi, Wong's brother, started taking notice of each sibling's different needs and willingness to engage and involve themselves in different aspects of the enterprise be it marketing, management or manufacturing. Family involvement with proper assignment of top down management led to creative ideas that encouraged growth.


The second generation, clearly more educated, brought in new technology to improve food products. There was a focus on innovation through R&D which led to the production of new products while professionalizing management and/or setting up joint ventures. This is clearly indicated in Table 5.8 where organizational changes in the enterprise were nurtured through many years of experience, knowledge and intelligent reading of the market. Thus, even though the first generation did not have much of a formal education, they gave much attention to career development through education.






Table 5.8: Impact of Developing Tacit Knowledge in Food Production through Innovation






SME's Tacit Knowledge	Generational Change and Innovative Capacity	Strategy Management	Organization Outcome
<p>1. Eu Yan Sang (EYS) (Large Scale Enterprise) (1842-2011)</p> <p>First Generation (Tacit knowledge) - Knowledge in Chinese physician remedies</p> 	<p>First Generation</p> <p>Skill: Interpreted and adopted knowledge about Chinese remedies from China. Top Down: Top management involved by hiring a herbalist to work in the medical hall. PUI: Openness to ideas to turn from a herbal trading store to a Chinese medical hall. Involvement: Considered as “peripheral business” managed by trusted employees who do not belong to the Eu family.</p>	<p>First Generation</p> <p>Strategy: Promoted treatment to China origin tin-mining workers in Malaya who suffered from opium addiction to eminently more beneficial herbal concoctions.</p>	<p>First Generation</p> <p>Enterprise Development: Established a Chinese remedies medical hall and promoted healthcare diagnostics to persuade workers to consume Yan Sang herbal concoctions which date back to the Ming dynasty.</p>
<p>Second Generation (Create the concept) - Established herbal concoction Chinese medical hall</p>  <p>(Convert to codify) - Converted into Eu Yan Sang retail shops and clinics</p> 	<p>Second Generation</p> <p>Skill: Interpreted and developed tacit knowledge on herbal remedies for opium addiction to health maintenance remedies. Top Down: Top management controlled by Eu owners, prioritised to “attorneys” to monitor businesses activities. PUI: Openness in ideas to exchange ideas on new found remedies within overseas Chinese markets (Malaysia, Singapore, Hong Kong and China) Involvement: Remained as Eu Tong Sen's sole proprietorship to retain Eu Yan Sang empire.</p>	<p>Second Generation</p> <p>Strategy: Extended innovative capacity, shifting from Yan Sang medical shop to Eu Yan Sang medical shop, practicing traditional Chinese medicine and achieving global market recognition.</p>	<p>Second Generation</p> <p>Enterprise Development: Established an entrepreneur dynamism holding enterprises to manage all businesses and venture into properties and plantations. Opened various herbal retail shops in Malaya.</p>
<p>Third Generation (Innovation Capacity) - Redesigning packaging on EYS products to be sold in retail stores</p> 	<p>Third Generation</p> <p>Skill: Interpreted tacit knowledge to adopt training and apprenticeship-nurtured, experienced skilled personnel. Top Down: Top management monitored by professional teams as the largest shareholder with a dominant influence. PUI: Openness to ideas in redesigning product packaging to be sold at retail outlets. Involvement: Lack of interest to handle the family business and rely on collected dividends from their shareholdings. Decimated by Lum Chang's takeover.</p>	<p>Third Generation</p> <p>Strategy: Redesigned product packaging and setup central purchasing centers for its six retail outlets, implemented professional management to manage the family business.</p>	<p>Third Generation</p> <p>Enterprise Development: Extended production line to establish EYS retail stores. Property became Eu Yan Sang's core business rather than traditional Chinese medicine.</p>
<p>Upcoming Generation (Enterprise Development) - Extended into professional global traditional healing centers combined with a scientific approach</p> 	<p>Upcoming Generation</p> <p>Skill: Interpreted tacit knowledge to highlight traditional Chinese medicine to have a more scientific approach embraced by British based Oxford natural food production. Top Down: Top management involved in a consortium to reverse a takeover from Lum Chang with each top executive led by professional assistants. PUI: Openness to ideas, though new retail outlets will be opened in strategic locations with new markets and new pharmaceutical products and health supplements. Involvement: Strong entrepreneurial leadership and professional management progressed rapidly as a globally recognized health care center.</p>	<p>Upcoming Generation</p> <p>Strategy: Promoted traditional Chinese medicine (TCM) as Asian medical practice grew as a global TCM healing company. Appeal to the non-Chinese market particularly in the west to adopt a scientific approach to medical treatment.</p>	<p>Upcoming Generation</p> <p>Enterprise Development: Extended different kinds of production line to become unique and the largest retail Chinese EYS herbal stores surrounded with TCM clinics appealed to the niche market in traditional health maintenance.</p>





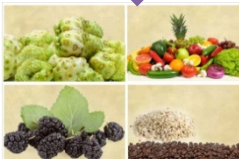
<p>2.Khong Guan (Large Scale Enterprise) (1937-2011)</p> <p>First Generation (Tacit Knowledge) -Knowledge in biscuit production during the postwar period</p> <p style="text-align: center;">↓</p>  	<p>First Generation</p> <p>Skill: Interpreted and adopted biscuit production from accumulated experience during the post-war period.</p> <p>Top Down: Top management involved by inviting family members and schoolmates from China to promote knowledge engagement.</p> <p>PUI: Openness to ideas, implemented conveyor systems with brick ovens for biscuit making.</p> <p>Involvement: Considered as Chew's family business legacy, managed only by Chew's family members to protect tacit knowledge.</p>	<p>First Generation</p> <p>Strategy: Promoted different types of business trading from accumulated experience in tough circumstances during the post war period. Reused old war damaged biscuit making machines to develop a production line in Malaya, Singapore and China.</p>	<p>First Generation</p> <p>Enterprise Development: Established own biscuit production line in Southeast Asia, embedded with local food culture. Appealed to the Chinese in Southeast Asia mostly migrated from China.</p>
<p>Second Generation (Create the concept) -Established flour milling technology to produce own Khong Guan biscuits</p>  <p>(Convert to codify) -Converted into Arnotts biscuit production formula from Australia</p> 	<p>Second Generation</p> <p>Skill: Interpreted tacit knowledge to introduce flour milling technology in producing own KG biscuit trademark.</p> <p>Top Down: Top management controlled by Chew's ownership to monitor various businesses related to the primary trade.</p> <p>PUI: Openness in ideas to access Australian Arnotts biscuit production to achieve global recognition.</p> <p>Involvement: Retained the Chew's family clear intention and mission to turning the Khong Guan group into a diverse investment company.</p>	<p>Second Generation</p> <p>Strategy: Extended innovation to introduce Khong Guan supply chain management and flour milling, also becoming a transportation and property agent to achieve recognition in the local market place.</p>	<p>Second Generation</p> <p>Enterprise Development: Promoted an entrepreneur dynamism enterprise to establish flour milling, shipping, manufacturing, trading commodities and property businesses related to the primary trade and achieved recognition in export trading.</p>
<p>Third Generation (Innovation Capacity) -Redesigned packaging and promoted innovative distribution channels to be the finest brand in China and USA.</p>  <p>(Enterprise Development) -Extended into the Asian food platform, accompanied by other Asian food brands to appeal to non-Asian markets</p> 	<p>Third Generation</p> <p>Skill: Interpreted tacit knowledge in line with globalized trends, referring to different food cultures in the global marketplace.</p> <p>Top Down: Top management monitored by cousin consortium formed in professional teams to manage overseas business.</p> <p>PUI: Openness to ideas, promoting Khong Guan as Asia's finest food brand.</p> <p>Involvement: Strong family participation in Khong Guan holding corporation equipped with higher education to promote international business.</p>	<p>Third Generation</p> <p>Strategy: Introduced mass market chains like Safeway, Lucky's, and Costco in the USA. Khong Guan worked with popular Asian food brands from the Philippines, Taiwan, Malaysia, Indonesia and Singapore to appeal to non-Asian markets.</p>	<p>Third Generation</p> <p>Enterprise Development: Extended joint venture partnerships with other food productions to serve as Asia's finest food platforms, mainstream market potential for brand development beyond the niche market.</p>






<p>3.London Biscuit (Large Scale Enterprise) (1994-2011)</p> <p>First Generation (Tacit knowledge) -Knowledge in experience accumulated when involved in different business trading</p> <p>↓</p>  <p>(Create the concept) -Acquired food SMEs to master in snack food production to enhance knowledge transfer</p> <p>↓</p> 	<p>First Generation</p> <p>Skill: Interpreted and adopted family background in timber trading and later ventured into the food industry.</p> <p>Top Down: Top management under the founder's leadership introduced western management when he studied and worked in Singapore.</p> <p>PUI: Openness to ideas used acquisition strategies to own food SMEs in order to learn food technology.</p> <p>Involvement: Established Liew's family business and assigned family members to be involved in higher positions, mostly in sales and marketing.</p>	<p>First Generation</p> <p>Strategy: The founder utilized the experience accumulated from business trading in the timber industry, plantations, hotels, restaurants and property development. Later ventured into the corn snack food industry with capital accumulated from previous business trading.</p>	<p>First Generation</p> <p>Enterprise Development: Established multiple production lines ranging from corn snacks to instant cakerolls, purchasing more premises to be the biggest cake roll producer in Southeast Asia.</p>
<p>Second Generation (Convert to codify) -Converted into instant and convenience confectionery such as cake rolls and candy to explore export trading</p> <p>↓</p>  <p>↓</p> <p>(Innovation Capacity) -Redesign packaging with Disney characters to turn London Biscuit into an integrated instant based confectioneries in Southeast Asia</p>  <p>(Enterprise Development) -Extended to be Southeast Asia's biggest cake roll producer and penetrated into the global Halal market</p> <p>↓</p> 	<p>Second Generation</p> <p>Skill: Interpreted tacit knowledge from corn based snack food technology to Disney character licensing twist wrap packaging in convenience food.</p> <p>Top Down: Top management under Liew's sibling partnership led by Chief Executive Officer (CEO), Chief Finance Officer (CFO) and Chief Operational Officer (COO).</p> <p>PUI: Openness to ideas, acquiring more food production SMEs in poultry, candy and confectionery related to the primary trade.</p> <p>Involvement: Retained Liew's sibling partnership between brothers and sisters who were assigned into external and internal operations in a professional food corporation.</p>	<p>Second Generation</p> <p>Strategy: Extended innovation capacity to rebuild the customized warehouse and greatly participated in food exhibitions to create a new Southeast Asian brand image and instant confectionery during a global financial crisis.</p>	<p>Second Generation</p> <p>Enterprise Development: Established the Lonbisco group of companies and assigned distributor mostly located in Southeast Asia to be the largest cake roll producer targeting the Halal market, Asian market, Disneyland countries and European countries.</p>

<p>4. Tatawa Biscuits (Medium Scale Enterprise) (1981-2011)</p> <p>First Generation (Tacit knowledge) -Knowledge in traditional wedding pastry production</p>  <p>(Create the concept) -Established OEM biscuit production from Japan to target export countries with different cultural practices</p> 	<p>First Generation</p> <p>Skill: Interpreted and adopted traditional hand-made celebrated wedding pastries. Top Down: Top management under the founder's leadership with his brothers and worked at a flagship shop. Mostly consists of old staff who served the shop for a long time. PUI: Openness to ideas and expanded into OEM biscuit production to do something different in the next generation. Involvement: Engaged an experienced pastry chef from the previous old flagship shop with younger R&D staff to explore opportunities in OEM biscuit production.</p>	<p>First Generation</p> <p>Strategy: The founder provided his brother the learning capacity for traditional wedding pastries production and family members tended to do something different and ventured into OEM biscuit production after the government placed great effort to promote a look east policy.</p>	<p>First Generation</p> <p>Enterprise Development: Established Tatawa biscuit production, specializing in centre-filled cookies and biscuits as sister company Yong Sheng Confectionery gift shop mastered Southeast Asia pastries production.</p>
<p>Second Generation (Convert to codify) -Converted into cookies and biscuits production based on stringent food requirements in the global market</p>  <p>(Innovation Capacity) -Redesigned packaging and utilized OEM experience to produce own branded products such as the Tianje mooncake</p>  <p>(Enterprise Development) -Extended into worldwide recognized OEM biscuit enterprise partnership with Yong Sheng Confectionery gift shop</p> 	<p>Second Generation</p> <p>Skill: Interpreted tacit knowledge from traditional wedding pastries to east-west OEM biscuit production. Top Down: Top management under uncle and his nephew and niece's leadership to monitor domestic and international business. PUI: Openness to ideas promoted in-house R & D in food technology to achieve numerous international awards and recognition. Involvement: Retained uncle with nephew and niece partnership, appointed them as marketing and production directors to help explore export trading.</p>	<p>Second Generation</p> <p>Strategy: Extended its innovation capacity to implement stringent quality control and laboratory tests to meet the worldwide market requirements. Utilized previous OEM experience in Japanese biscuit production to venture into Tianje mooncakes solely based on their own idea combined with Japanese technology.</p>	<p>Second Generation</p> <p>Enterprise Development: Established international recognized export based biscuit production and a partnership with Yong Sheng Confectionery gift shop to create fusion food between traditional and trendy pastries production.</p>

<p>5.King's Confectionery (Medium Scale Enterprise) (1977-2011)</p> <p>First Generation Part I (Tacit knowledge) -Knowledge in traditionally made Hainan coffee and desserts.</p> 	<p>First Generation Part I</p> <p>Skill: Interpreted and adopted traditional ethnic based Hainan coffee and pastries. Top Down: Day- to- day operations mostly controlled by the founder with his wife and heirs assigned as helper. PUI: Openness to ideas, fusing Hainan foods with Malaysia delights. Involvement: Bringing the founder's daughters to be involved in daily business operation to serve customers who visit their café.</p>	<p>First Generation Part I</p> <p>Strategy: The founder utilized his knowledge and passion in making traditional Hainanese food to serve the local community with coffee and dumpling desserts</p>	<p>First Generation Part I</p> <p>Enterprise Development: Established ethnic based hawker style cafés to provide breakfast and afternoon tea time for the local community in Batu Arang, Rawang.</p>
<p>First Generation Part II (Create the concept) -Established recipes and King's pastries, ventured into pastries house</p>  <p>(Convert to codify) -Converted from pastry selling to a personal concept based confectionery retail chain</p> 	<p>First Generation Part II</p> <p>Skill: Interpreted tacit knowledge from traditional Hainanese food to western pastries based on accumulated experience and interest from the British. Top Down: Top management under the founder's heirs lead by his eldest daughter and son in law to monitor production and financial operations. PUI: Openness to ideas promoting King's products such as cakes, tarts, breads and Danish puffs coordinated by Madam Wong Yoke Khing. Involvement: Engaged siblings under Madam Wong's leadership to assign certain job positions, favouring nepotism to avoid agency problems.</p>	<p>First Generation Part II</p> <p>Strategy: Extended innovation capacity based on accumulated experience when Madam Wong worked at Coliseum café. Created King's bakeries and pastries solely based on their own ideas to venture into confectionery retail chains.</p>	<p>First Generation Part II</p> <p>Enterprise Development: Established King's confectionery retail chain outlets targeted at urban areas and established factory warehousing to distribute pastries to all their outlets in Malaysia.</p>
<p>Second Generation (Innovation Capacity) -Planned an innovative marketing distribution to setup overseas branches in Bangladesh to capture the Indian market</p>  <p>(Enterprise Development) -Extended into King's confectionery and Pak Hailam café business franchising with OEM capabilities</p> 	<p>Second Generation</p> <p>Skill: Interpreted tacit knowledge from bakeries and pastries production to introduce traditional Hainanese food production promoted through Pak Hailam lifestyle cafés. Top Down: Top management shifted from Madam Wong's leadership to LH Wong's emphasis on business franchising. PUI: Openness in ideas promoted in-house R & D and OEM food production targeting airline industry and food processing industry. Involvement: Engaged siblings under LH Wong's leadership assigned business franchising and explored more business opportunities.</p>	<p>Second Generation</p> <p>Strategy: Extended innovation capacity to venture into new business opportunities from hawker style cafés to King's confectionery retail chain and lastly into Pak Hailam lifestyle cafés, enhancing business partnerships from time to time.</p>	<p>Second Generation</p> <p>Enterprise Development: Established a franchise business to enforce business partnerships with Tesco stores and other larger food industries to become are cognized King's confectionery and lifestyle café, capturing market demand in Malaysia and Bangladesh.</p>







<p>6.Laksamana Usaha (Large Scale Enterprise) (1975-2011)</p> <p>First Generation (Tacit knowledge) -Knowledge in traditional noodles preparation adopted from Fujian, China</p>  <p>(Create the concept) -Established noodles production specialties based on authentic Malaysian style.</p> 	<p>First Generation</p> <p>Skill: Interpreted and adopted traditional hand-made noodles production.</p> <p>Top Down: Top management led by founder's wife and his siblings involved in home based noodles production run by the relatives.</p> <p>PUI: Openness in ideas produced unique Malaysia noodle specialties adopted from traditional recipes.</p> <p>Involvement: Retained old staff in noodles production, reluctant to hire outsiders to manage the family business.</p>	<p>First Generation</p> <p>Strategy: The founder adopted traditional noodles production from Fujian, China and introduced it to the Malaysian food industry. The founder utilized networking with hawker centers and noodles wholesalers to distribute their noodles.</p>	<p>First Generation</p> <p>Enterprise Development: Established home based noodles specialties production in Ampang and distributed to local food operation chains, mostly acting as an ethnic enterprise focused on Chinese customers in Malaysia. Remained as a non-halal food enterprise.</p>
<p>Second Generation (Convert to codify) -Converted into clean noodles specialty production in nice packaging</p>  <p>(Innovation Capacity) -Redesigned packaging and produced food ingredients based on authentic Malaysiancooking styles.</p>  <p>(Enterprise Development) -Extended into cleanest noodles production in Malaysia with Halal certified appointed as noodles supplier in Malaysia Chinese Muslim restaurant chain</p> 	<p>Second Generation</p> <p>Skill: Interpreted tacit knowledge from noodles production to introduce cleaner technology in noodles production to build a good reputation in the local market.</p> <p>Top Down: Top management under founder's sons and daughter leadership in administration, accounting, sales and marketing.</p> <p>PUI: Openness to ideas, redesigning product packaging to capture a bigger distribution channel and producing cooked food ingredients.</p> <p>Involvement: Founder leadership replaced with son leadership. Promoted professional management and implemented inter-ethnic business networking to penetrate global Halal food opportunities.</p>	<p>Second Generation</p> <p>Strategy: Extended innovation capacity to apply cleaner technology and achieve Halal recognition, penetrating Malaysia's local food industry. Highly innovated in supply chain management to distribute production to Chinese Muslim restaurant chains in Malaysia.</p>	<p>Second Generation</p> <p>Enterprise Development: Established as Malaysia's cleanest noodles enterprise with Halal certification targeting local food operation chains, supermarket chains, hawker centres and restaurant chains.</p>






<p>7.TPC Plus (Large Scale Enterprise) (1976-2011)</p> <p>First Generation (Tacit knowledge) -Knowledge in poultry farming to produce quality eggs.</p>  <p>(Create the concept) -Established integrated Yee's poultry farming to produce fresh eggs, distributed to fast food restaurant chains</p> 	<p>First Generation</p> <p>Skill: Interpreted and adopted traditional poultry operations into integrated egg's poultry.</p> <p>Top Down: Top management under the founder's leadership with his 4 sons who worked from lower to top management, requiring more educated staff to sit in top positions.</p> <p>PUI: Openness to ideas, producing quality eggs for fast food retail chains in Malaysia.</p> <p>Involvement: Family members started to network with food operation chains and government authorities to increase production capabilities.</p>	<p>First Generation</p> <p>Strategy: The founder with his sons achieved quality assurance from local and foreign authorities and laboratories to gain recognition. Upgraded into an air conditioned integrated poultry farm focused on veterinary and agriculture to stay competitive in the marketplace.</p>	<p>First Generation</p> <p>Enterprise Development: Established Yee family owned Teck Ping Chan agricultural enterprise and ventured into poultry farming, animal feed and property and realty investment. Moved from second board to the main board of public listed companies.</p>
<p>Second Generation (Convert to codify) -Converted from Taiwanese poultry farming technology to biotechnology in organic food.</p>  <p>(Innovation Capacity) -Shifted to biotechnology in enzyme vinegar by mastering Taiwanese technology.</p>  <p>(Enterprise Development) -Extended from Malaysian poultry farming to organic food production technology from Taiwan, slowly achieving recognition in Malaysia.</p> 	<p>Second Generation</p> <p>Skill: Interpreted tacit knowledge from poultry farming to agricultural activities and ventured into biotechnology to produce enzyme vinegar.</p> <p>Top Down: Top management changed from Yee to Liew's family leadership after being sold to Lonbisco and Huat Lai.</p> <p>PUI: Openness to ideas, targeting multiple distribution channels beginning from fast food restaurant chains to confectionery and biotechnology.</p> <p>Involvement: Old staff still involved in daily operations but major decision making is controlled by the Liew family. The Liew family gave enough autonomy to their experienced staff to coordinate the organization structure.</p>	<p>Second Generation</p> <p>Strategy: Yee's brother sold their family business to their main customer, Lonbisco, involved in confectionery since the next generation refused to join in. Ventured into biotechnology based on accumulated experience adopted from Taiwanese poultry farming operations.</p>	<p>Second Generation</p> <p>Enterprise Development: Changed from Yee's family enterprise to a subsidiary from Lonbisco and Huat Lai. Established Maple Leaf organic food, introduced enzyme vinegar adopted from Taiwanese technology and slowly implemented in Malaysia.</p>

<p>8. Vit's Makanan (Medium Scale Enterprise) (1975-2011)</p> <p>First Generation (Tacit knowledge) -Knowledge in Taiwanese food trading experience</p>  <p>(Create the concept) -Established instant noodles production by adopting business experience to distribute Taiwanese food</p> 	<p>First Generation</p> <p>Skill: Interpreted and adopted Taiwanese food trading experience and ventured into instant noodles production.</p> <p>Top Down: Top management led under the founder's leadership. Elderly staff with closer relationship with the founder is normally placed in upper management.</p> <p>PUI: Openness to ideas, referring to different Taiwanese products focused on instant noodles production capturing the Malaysian and global market.</p> <p>Involvement: The founder engaged staff to shift from food trading to noodles production, spending time to understand production operations adopted from high technology.</p>	<p>First Generation</p> <p>Strategy: The founder shifted from rented premises to larger integrated factory warehousing with the latest technology in instant noodles production after adopting trading experience in Taiwanese foods.</p>	<p>First Generation</p> <p>Enterprise Development: Established Vit's Makanan instant noodles production with a phoenix as their registered trademark to represent the solely inherited traditional Chinese culture in the enterprise.</p>
<p>Second Generation (Convert to codify) -Converted instant noodles production into an innovative supply chain targeting Halal market and export trading</p>  <p>(Innovation Capacity) -Rebranding from targeted hawker centres to supermarket and finally to higher learning institutions and global Halal market.</p>  <p>Enterprise Development) -Extended from Malaysian instant noodles production to global Halal food production, targeting export trading and international shopping retail chains.</p> 	<p>Second Generation</p> <p>Skill: Interpreted tacit knowledge from Taiwanese food trading, focusing on the instant noodles category and produced Malaysian style instant noodles.</p> <p>Top Down: Top management under the founder's sons implemented virtual management to engage top down relations rather than a pyramid organization structure.</p> <p>PUI: Openness to ideas targeting the global Halal food supply chain to distribute Vit's instant noodles to higher learning institution and UK Tesco stores.</p> <p>Involvement: More young educated staff involved in daily operations to innovate supply chain management and enhance administrative coordination between internal and external operations.</p>	<p>Second Generation</p> <p>Strategy: Innovated supply chain management to implement virtual management and explore more opportunities in distribution channels such as young students, the global Halal market, new export trading and Overseas Chinese markets.</p>	<p>Second Generation</p> <p>Enterprise Development: Established a new image for Vit's noodles production to be an appointed Malaysia SMEs to supply Halal food to UK Tesco stores and Malaysian university students.</p>







<p>9. Besfomec (Medium Scale Enterprise) (1948-2011)</p> <p>First Generation (Tacit knowledge) -Knowledge in physician knowledge in herbal remedies.</p>  <p>(Create the concept)</p> <p>↓</p> <p>-Established Chinese medical hall and hired a physician and herbalists from China.</p> 	<p>First Generation</p> <p>Skill: Interpreted and adopted physician herbal remedies in Chinese medicine. Top Down: Top management under the founder leadership's with hired herbalist and physician (top) to herbalist assistants (middle) and labourers (down management). PUI: Openness to ideas, making use of Chinese moral values, Yin and Yang and physician knowledge to introduce herbal remedies. Involvement: The founder practiced Chinese moral values by combining knowledge from herbalists involved in medical hall operations.</p>	<p>First Generation</p> <p>Strategy: The founder established a Chinese herbal shop with accumulated knowledge from experience as herbalists to provide medical services to the local Chinese community in Malaya.</p>	<p>First Generation</p> <p>Enterprise Development: Established Chinese herbal shop with physician services targeted at local Chinese communities in Malaysia to provide herbal remedies for general well-being.</p>
<p>Second Generation (Convert to codify) -Converted into boiler technology to produce healthy essences</p>  <p>↓</p> 	<p>Second Generation</p> <p>Skill: Interpreted tacit knowledge from herbal remedies to essence health foods. Top Down: Top management replaced with the founder's 5 sons. Top positions depend on age and sons are usually assigned to production, marketing and distribution. PUI: Openness to ideas aligned with the government efforts to produce locally made health supplements in essence products. Involvement: Lau family members were mostly involved in subsidiaries from herbal trading to packaging, logistics and property investment.</p>	<p>Second Generation</p> <p>Strategy: Promoted Good Manufacturing Practice (GMP) to achieve recognition in export trading from domestic to the international marketplace. Using personal networks as Malaysian Chinese to cooperate with Overseas Chinese markets in Southeast Asia</p>	<p>Second Generation</p> <p>Enterprise Development: Established food industries to produce Fomec's essence products combined with traditional knowledge in herbal remedies and essence foods from herbs to achieve recognition in the marketplace.</p>
<p>Third Generation (Innovation Capacity) -Codified Chinese medical knowledge into a scientific pharmaceutical approach</p>  <p>↓</p> <p>(Enterprise Development) -Extended from herbal shops to the Besfomec group of companies, venturing into gift shops</p> 	<p>Third Generation</p> <p>Skill: Interpreted tacit knowledge from essence health supplements combined with western based pharmaceutical knowledge. Top Down: Top management under the founder's grand children replaced herbalists in top positions to pharmaceutical teams. PUI: Openness in ideas promote R & D in health supplements and introduced tourism referring to Malaysia's health gift shop concept. Involvement: The next generation involved a scientific approach to R & D combining traditional herbal remedies and scientific traditional Chinese medicine.</p>	<p>Third Generation</p> <p>Strategy: Shifted from herbal shops to factory warehousing, producing essence products and gifts targeted at export trading and tourism to promote Malaysia as the main choice for health tourism.</p>	<p>Third Generation</p> <p>Enterprise Development: Established the Besfomec group of companies with Fomec's trademark, turning from herbal shops to an essence manufacturer and Malaysia's popular tourist gift shop.</p>



<p>10. Baker Cottage (Large Scale Enterprise) (1994-2011)</p> <p>First Generation (Tacit knowledge) -Knowledge in traditional poultry chick farming</p> 	<p>First Generation</p> <p>Skill: Interpreted and adopted knowledge from experience in poultry chick farming. Top Down: Top management under the founder's leadership but had enhanced sibling partnership and vertical strategy management in top down relationships. PUI: Openness to ideas from poultry farming operations to contract farming and later ventured into meat processing and restaurants. Involvement: The siblings assigned to manage local poultry farming later learned to outsource for contract farming and planned to establish livestock plants in Southeast Asian countries.</p>	<p>First Generation</p> <p>Strategy: The founder adopted vertical integration strategies in all facets of the chicken business. Upgraded feeding strategies and broiler farming operations distributed fresh chicken to the fast food restaurant chains such as KFC.</p>	<p>First Generation</p> <p>Enterprise Development: Established integrated poultry chick farming and promoted contract farming in Malaysia to distribute to large consumer countries such as Singapore and the Philippines.</p>
<p>Second Generation (Create the concept) -Established vertical integrated poultry chick farming and ventured into biotechnology R & D in to achieve recognition</p>  <p>(Convert to codify) -Converted into contract manufacturing and layer farming to diversify business activities into paper production, biotechnology, meat processing and cafés related to the poultry industry.</p> 	<p>Second Generation</p> <p>Skill: Interpreted tacit knowledge from poultry farming to layer farming, focusing on R & D by adding value in producing poultry medicine and vitamins Top Down: Top management under the founder's sons. The founder's siblings retired so the next generation monitored business overseas to achieve recognition in the livestock industry. PUI: Openness to ideas, venturing into biotechnology to promote duck farming and agricultural activities. Involvement: Lau family members began to be involved and focused on R & D with laboratories testing in biotechnology to penetrate the livestock industry overseas.</p>	<p>Second Generation</p> <p>Strategy: Promoted different business trading related to poultry chick farming. This generation tried to upgrade production capabilities by focusing on biotechnology R & D to stay competitive in the future market of the livestock industry.</p>	<p>Second Generation</p> <p>Enterprise Development: Established integrated poultry chick farming and layer farming to enhance knowledge sharing between their overseas subsidiaries, transforming into the most recognized enterprise in chick farming.</p>
<p>Third Generation (Innovation Capacity) -Rebranding and ventured into retail chain bakery houses and cafés.</p>  <p>(Enterprise Development) -Extended from poultry chick farming to professionalized food corporation in biotechnology and food processing</p> 	<p>Third Generation</p> <p>Skill: Interpreted tacit knowledge from poultry chick farming to bakery houses and cafés. Top Down: Top management under the founder's grand children to restructure the organization, inviting young staff to develop more current trend business. PUI: Openness to ideas, venturing into meat processing by establishing A1 food and establishing Baker Cottage that dealt with pastries and mooncakes. Involvement: The Lau's third generation family members who are highly educated preferred to be involved in concept based bakery houses and cafés such as Baker Cottage and BC Restaurant.</p>	<p>Third Generation</p> <p>Strategy: Third generation family members were given greater autonomy to operate the bakery houses and cafés and allowed to utilize from Leong Hup Group (parent company) resources in value added processing chain.</p>	<p>Third Generation</p> <p>Enterprise Development: Established retail business chains in bakery houses and cafés, introducing new mooncake products to become the most branded mooncakes enterprise in Malaysia.</p>






<p>11. Ghee Hiang (Small Scale Enterprise) (1865-2011)</p> <p>First Generation (Tacit knowledge) -Knowledge in oriental pastries and sesame oil production</p> <p>↓</p>  <p>(Create the concept) -Established an oriental pastries and sesame oil flagship store in Penang, Chop Ghee Hiang.</p> <p>↓</p>  <p>Second Generation (Convert to codify) -Converted into Tau Sar Piah biscuits and baby brand sesame oil production. Ventured into property development</p> <p>↓</p>  <p>↓</p>  <p>Third Generation (Innovation Capacity) -Conducted R & D in sesame oil related products and penetrated UAE countries. Highlighted traditional food production since 1856</p>  <p>(Enterprise Development) -Extended from Ghee Hiang flagship stores, becoming a Penang heritage food producer and R&D</p> <p>↓</p> 	<p>First Generation</p> <p>Skill: Interpreted and adopted knowledge in traditional oriental pastry and sesame oil production. Top Down: Top management under the founder's leadership invited a pastry chef from China to produce oriental pastries and sesame oil. PUI: Openness in ideas tracing back to traditional recipes in pastries and sesame oil to serve the Chinese community in Penang. Involvement: The founder with his wife and pastry chefs from China become involved in the ethnic based Penang flagship store.</p> <p>Second Generation</p> <p>Skill: Interpreted tacit knowledge from traditional recipes to produce Tau Sar Piah biscuits and baby brand sesame oil. TopDown: Top management sold to 4 families, Yeap, Yeoh, Ch'ng and Ooi after the founder passed away. Ch'ng and Ooi families remained as main decision makers. PUI: Openness to ideas, promoting sesame oil related products distributed to households, restaurants, hawker centers and food operations. Involvement: Ch'ng and Ooi family members bought the minority stakes owned by Yeap and Yeoh families, becoming solely involved in production and marketing.</p> <p>Third Generation</p> <p>Skill: Interpreted tacit knowledge from traditional recipes to produce aPenang heritage food product. Top Down: Top management under Ch'ng and Ooi ownership with family members owningshares but not performing. Elderly staff train new staff in top down relation. PUI: Openness to ideas split Ghee Ghee Hiang manufacturing for food and Ghee Hiang holding for property development. Involvement: Ooi and Ch'ng in third and forth generations were strongly involved in heritage building design and food production, turning Ghee Hiang into a Penang tourist destination as an heritage enterprise with traditional food.</p>	<p>First Generation</p> <p>Strategy: The founder adopted traditional recipes in pastry and sesame oil production, inviting pastry chef, Teng Ku, from China. Created a niche market specially targeted at the large Chinese population in Penang.</p> <p>Second Generation</p> <p>Strategy: Started to apply semi-auto technology but retained manual hand-made filling to produce unique traditional food stuff. Produced more products and ventured into property development to accumulate more capital.</p> <p>Third Generation</p> <p>Strategy: Heavily promoted R & D to conduct sesame medicine research with universities and penetrated UAE countries with sesame oil related products. Turned Ghee Hiang into aPenang heritage food producer and main tourist destination for museum sales and a gift shop.</p>	<p>First Generation</p> <p>Enterprise Development: Established Chop Ghee Hiang located at Beach Street in Penang. The strategic location in Penang with its large Chinese population would help Ghee Hiang obtain food ingredients from China in Malaya.</p> <p>Second Generation</p> <p>Enterprise Development: Established Ghee Hiang food manufacturing and Ghee Hiang Holdings, divided into sesame oil and Tau Sar Piah production. Ghee Hiang Holdings mostly involved property development to develop Ghee Hiang Garden.</p> <p>Third Generation</p> <p>Enterprise Development: Established Ghee Hiang food production to turn Ghee Hiang into a famous Penang heritage and export oriented enterprise. R & D centre of excellence in sesame seed cooperated with a local university (USM) to produce excellent sesame oil related products.</p>
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<p>12. Kum Thim (Medium Scale Enterprise) (1970-2011)</p> <p>First Generation (Tacit knowledge) -Knowledge in natural fermentation of sauces</p>  <p>(Create the concept) -Established Kum Thim trademark sauces targeted at local restaurants and food operation chains.</p> 	<p>First Generation</p> <p>Skill: Interpreted and adopted soy sauce fermentation while working in a restaurant. Top Down: Top management under the founder's leadership and sibling partnership in production, marketing and logistic distribution. PUI: Openness to ideas to produce their own Kum Thim light soy sauce with a personal recipe targeted at restaurants and food operation chains. Involvement: The founder was mostly involved in production and trained his staff from lower to top management based on previous experience while working in a restaurant.</p>	<p>First Generation</p> <p>Strategy: The founder utilized his working experience from a Restaurant to produce his own brand of Kum Thim soy sauce products. Relying on networks with restaurant and food operation chains to produce different sauces used in cooking and cuisine.</p>	<p>First Generation</p> <p>Enterprise Development: Established Kum Thim sauce factory to produce different types of sauces suitable for local restaurant and food operation chain consumption. Capital accumulated from sibling partnerships helped develop the enterprise from natural fermentation to automated sauce production.</p>
<p>Second Generation (Convert to codify) -Converted from Kum Thim sauces to award recognised Kum Thim cultural food production targeting the hotel industry</p>  <p>(Innovation Capacity) -Rebranding packaging and production into cultural based frozen food, Dim Sum and Yee Sang specialties</p>  <p>(Enterprise Development) -Extended from sauces production to the cultural traditional food production by establishing overseas manufacturing plant</p> 	<p>Second Generation</p> <p>Skill: Interpreted tacit knowledge from sauce production to create a niche market in cultural food production. Top Down: Top management under the founder's oldest son, an overseas graduate, enhanced professional management and top down relation to encourage knowledge sharing in order to produce innovative ideas PUI: Openness to ideas, creating a niche market by producing frozen food, Dim Sum and Yee Sang specialties in cultural food market demand. Involvement: The next generation is mostly involved in R & D and marketing from local restaurant chains to the hotel industry and became involved in export trading.</p>	<p>Second Generation</p> <p>Strategy: The next generation strongly achieved recognition in the food standard category from local and UK food standard requirements. Penetrated the hotel industry as a start to distribute sauce products, Yee Sang specialties and frozen foods to Star Cruises and finally to export trading.</p>	<p>Second Generation</p> <p>Enterprise Development: Established cultural based food production to turn Kum Thim sauce production to the Kum Thim group of companies with an overseas manufacturing plant (Jiang Group in China) to produce culturally based traditional Halal food products targeting overseas Chinese markets and UAE countries.</p>

<p>13. KLT Food Industries (Medium Scale Enterprise) (1972-2011)</p> <p>First Generation (Tacit knowledge) -Knowledge in working experience while working at a hawker center and Dim Sum restaurant.</p>  <p>(Create the concept) -Established Hong Kong cuisine style Dim Sum and Kam Lun Tai restaurant chain</p>  <p>Second Generation (Convert to codify) -Converted from the restaurant business to food production in compliance with international standards combined with different food cultures.</p>  <p>(Innovation Capacity) -Ventured into KLT food production such as mooncakes, Malaysian food delights and fusion food in instant food from different countries</p>  <p>(Enterprise Development) -Extended from hawker business to Fabulous 1 Malaysia food production and restaurant chain in Malaysia and global arena.</p> 	<p>First Generation</p> <p>Skill: Interpreted and adopted personal working experience while working at a hawker centre and restaurant.</p> <p>Top Down: Top management under the founder's leadership, siblings and friend partnership. Hired experienced captains to monitor operations in the restaurants chain and those with potential placed in top positions.</p> <p>PUI: Openness of ideas to bring Hong Kong Style cuisine into Malaysian food culture, designing a variety in set and Dim Sum menus.</p> <p>Involvement: The founder was mostly involved in business partnerships, venturing into seafood restaurants, a noodles house, dining restaurants and a Japanese Sushi restaurant.</p> <p>Second Generation</p> <p>Skill: Interpreted tacit knowledge from its restaurant operation chain into KLT food production in mooncakes and food stuff.</p> <p>Top Down: Top management under the founder's highly educated heirs' leadership. His daughter assisted the restaurant chain and placed experienced staff in top positions while his sons mostly placed performance oriented staff at the top.</p> <p>PUI: Openness of ideas to promote a series of KLT trademark mooncakes, dessert and confectionery in convenience packaging.</p> <p>Involvement: The next generation was mostly involved in food technology and R & D to retain performance oriented staff. However, experienced staff mostly operated on adaily business to train younger staff.</p>	<p>First Generation</p> <p>Strategy: The founder adopted Hong Kong Style cuisine and ventured into Dim Sum and a restaurant chain catered to special event celebrations based on accumulated working experience before the founder became an entrepreneur.</p> <p>Second Generation</p> <p>Strategy: The next generation greatly promoted Fabulous food 1 Malaysia to produce more Malaysian food stuff such as mooncakes and Halal snack foods by inviting more chefs to achieve recognition in the local market and international marketplace to provide fusion food between different countries. .</p>	<p>First Generation</p> <p>Enterprise Development: Established the Kum Lun Tai restaurant, adopting the name from that used by Tun H.S.Lee, 1st finance minister in Malaysia when he was trading in China. Provided morning tea time (Dim Sum) and dining set menus (Marriages or special occasions) focused on Hong Kong cuisine.</p> <p>Second Generation</p> <p>Enterprise Development: Established KLT food industries comprising of food production and restaurants with catering services to achieve recognition within Malaysia, in Overseas Chinese markets and the international marketplace among those who love Malaysian Chinese style food production.</p>
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<p>14. Red Horse (Small Scale Enterprise) (1964-2011)</p> <p>First Generation (Tacit knowledge) -Knowledge in technology, learning concentrate juice cordial production</p>  <p>(Create the concept) -Established Malaysian tropical fruit juice manufacturer with its highlighted Red Horse brand</p>  	<p>First Generation</p> <p>Skill: Interpreted and adopted training transfer in concentrate juice cordial, considered a new industry at the time.</p> <p>Top Down: Top management under the founder's leadership and sibling partnership. Lower and top positions depend strongly on the founder's decision with reluctance to invite outsiders into management.</p> <p>PUI: Openness to ideas produced home based cordials and syrups based on Malaysian tropical fruit flavours.</p> <p>Involvement: The founder involved as a mentor to train his children as helpers in the production before passing down leadership to the next generation.</p>	<p>First Generation</p> <p>Strategy: The founder was the first to begin concentrated juice cordial production during the 1960-1970s, considered a new industry at the time. Able to distribute their products to government bodies and created a niche market during that time.</p>	<p>First Generation</p> <p>Enterprise Development: Established and moved from home based cordial production to shop lots as the Red Horse fruit juice manufacturer highlighting Malaysian tropical fruit cordials. Started to purchase more premises to expand their production capabilities.</p>
<p>Second Generation (Convert to codify) -Converted from local market production to private labelling export trading, targeting Halal food demand</p>  <p>(Innovation Capacity) -Rebranding packaging and promoted OEM private labelling with different trademarks</p>  <p>(Enterprise Development) -Extended from fruit juice production to OEM private labelling export trading</p> 	<p>Second Generation</p> <p>Skill: Interpreted tacit knowledge from concentrate juice cordials production to implement mechatronic automation engineering to enhance private labelling.</p> <p>Top Down: Top management under the founder's Leadership divided internal and external operations. However, the founder remains the biggest shareholder.</p> <p>PUI: Openness of ideas to promote OEM production to create Nikmat, Borr, Rabbit and Happy baby brand to serve export trading.</p> <p>Involvement: The next generation started to implement a simple organization structure and be involved in private labelling and export trading.</p>	<p>Second Generation</p> <p>Strategy: The next generation started to focus on OEM private labelling, focusing on global Halal food opportunities. They distributed their products to UAE countries, mostly through the hotel industry and supermarket to build a good reputation in particular UAE countries.</p>	<p>Second Generation</p> <p>Enterprise Development: Established Red Horse fruit juice manufacturer and Shoon Kee juice targeting local markets and export trading with private labelling. Established Hon Nyit Sons and Realty to manage capital funds accumulated from rental or returns from purchased premises.</p>

<p>15. Hei Hwang (Small Scale Enterprise) (1975-2011)</p> <p>First Generation (Tacit knowledge) -Knowledge in herbal drinks acquired from remedies.</p>  <p>(Create the concept) -Established Hei Hwang instant Ipoh coffee production with knowledge acquired from herbal drinks formulation.</p> 	<p>First Generation</p> <p>Skill: Interpreted and adopted herbal remedies to produce herbal drinks. Top Down: Top management under the founder's leadership with sibling partnerships. Almost repetitive job with lack of interest worsens the top down relationship. PUI: Openness to ideas, transferring herbal drinks formulation into instant drinks. Involvement: The founder is mostly involved in daily operations and became a herbal specialist. Slowly evolved into instant Ipoh coffee production after closing down Dayo food industries.</p>	<p>First Generation</p> <p>Strategy: The founder finds a way to survive in the family business, transferring from less popular herbal drinks formulation to Malaysia's famous instant Ipoh coffee production and started to target export trading.</p>	<p>First Generation</p> <p>Enterprise Development: Established Hei Hwang food industries with its core production in instant Ipoh Coffee mix to replace the previous Dayo food industries focused on herbal drinks.</p>
<p>Second Generation (Convert to codify) -Converted from instant coffee production to focus on value added health drinks.</p>  <p>(Innovation Capacity) -Rebranding packaging and created a niche market in organic and vegetarian food supplements. Exports instant Ipoh coffee to China.</p>  <p>(Enterprise Development) -Extended from instant coffee production to instant health drinks and assigned dealership to Singapore targeted at overseas Chinese markets.</p> 	<p>Second Generation</p> <p>Skill: Interpreted tacit knowledge from instant coffee production to health drinks. Top Down: Top management under the founder's sons separated Malaysian production (instant drinks packaging) led by the oldest son while China operations (contract farming and import trading) are led by the founder's second son. PUI: Openness to ideas promoted organic and vegetarian health supplement drinks. Involvement: The next generation began to utilize the land bought in China to promote contract farming, becoming strongly involved in R & D production to produce health drinks distributed worldwide.</p>	<p>Second Generation</p> <p>Strategy: Utilized land bought in China to create a win-win situation to conduct contract farming in China and at the same time, export Hei Hwang instant coffee series to the large demand in the China market. Organic beans picked from China will be sent back to Malaysia for further food processing.</p>	<p>Second Generation</p> <p>Enterprise Development: Established Hei Hwang health food series and assigned dealership to Singapore, mostly targeting Overseas Chinese markets in Indonesia, Taiwan and the Philippines. Ventured into vegetarian and organic food retail chains in Malaysia.</p>

<p>16. Eng Hup Seng (Small ScaleEnterprise) (1987-2011)</p> <p>First Generation (Tacit knowledge) -Knowledge in traditional sesame oil production based on authentic Asian cuisine.</p>  <p>(Create the concept) -Established Eng Hup Seng sesame oil and sauces factory to create Mother brand as authentic Southeast Asian sauce production.</p> 	<p>First Generation</p> <p>Skill: Interpreted and adopted traditional sesame oil production following hallmarks of authentic Asian cuisine.</p> <p>Top Down: Top management under the founder's leadership and sibling partnership. Almost all family members with strong relationships with the founder are placed in top positions.</p> <p>PUI: Openness to ideas, focusing on sauce production by developing Mother brand to suit authentic Malaysian cuisine.</p> <p>Involvement: The founder is mostly involved in production with his siblings and reluctant to invite outsiders in production and marketing.</p>	<p>First Generation</p> <p>Strategy: The founder firstly produced sesame oil and later ventured into other sauces under the Mother brand label to keep pace with growing customer preference in authentic Southeast Asian cuisine.</p>	<p>First Generation</p> <p>Enterprise Development: Established the Eng Hup Seng sesame oil production enterprise by focusing on authentic Southeast Asian food cuisine, developing large premises to produce other sauces catered to local restaurants and mini mart retail chains.</p>
<p>Second Generation (Convert to codify) -Converted from sauce production and focused on contract manufacturing and private labelling</p>  <p>(Innovation Capacity) -Rebranding packaging and distributed to supermarket retail chains or Asian marts. Enhanced contract manufacturing with large food productions</p>  <p>(Enterprise Development) -Extended from sauce production into contract manufacturing and private labelling in authentic Southeast Asian sauce production</p> 	<p>Second Generation</p> <p>Skill: Interpreted tacit knowledge from authentic sauce production to private labelling and selling in bulk to large food productions.</p> <p>Top Down: The top management is under the founder's sons, each of them given enough autonomy and placed in top positions, mostly in sales and marketing. Quite a few of them in the production field are placed in top positions.</p> <p>PUI: Openness of ideas promoted private labels and selling in bulk to supermarkets, Lam Soon, Yee Lee & Nestle.</p> <p>Involvement: The next generation began to get involved in R & D to conduct research related to authentic Southeast Asian sauces, becoming an export trader with private food labelling.</p>	<p>Second Generation</p> <p>Strategy: Achieved recognition meeting global Halal and international food requirements to create a niche market in authentic Southeast Asian sauce production. Sold in bulk to larger food operations to capture a bigger market and venture into China towns in international marketplaces.</p>	<p>Second Generation</p> <p>Enterprise Development: Established Eng Hup Seng sauce production to focus on private labelling and contract manufacturing with their authentic Southeast Asian sauce production. It is a stringent quality controlled food enterprise certified by independent laboratories.</p>

<p>17. Regent Food (Small Scale Enterprise) (1987-2011)</p> <p>First Generation (Tacit knowledge) -Knowledge in home based fried nuts targeting hawker centers.</p> <p>↓</p>  <p>↓</p> <p>(Create the concept) -Established Regent food production and applied oven based roasting technology with food safety requirements</p> 	<p>First Generation</p> <p>Skill: Interpreted and adopted home based fried nuts distributed to local food operations. Top Down: Top management under the founder's leadership with his wife. Those with strong business networks are placed in top positions while the founder's wife is mostly involved in administration work. PUI: Openness to ideas, upgraded from traditional wok frying to temperature controlled oven roasting technology in nuts production. Involvement: The founder invited his friends and eldest son to be involved in production to protect tacit knowledge. Strongly involved in business networking rather than R & D in production.</p>	<p>First Generation</p> <p>Strategy: The founder relied on strong business networking with food stuffs association and hawker centres to distribute their nuts and peas products that strictly follow the latest food safety requirements.</p>	<p>First Generation</p> <p>Enterprise Development: Established Regent food products to move away from home based production, choosing good quality of peas and nuts from different countries. Not only afresh cooked peas and nuts producer but also the main distributor of uncooked peanuts targeted to at food operation chains in Malaysia.</p>
<p>Second Generation (Convert to codify) -Converted from nuts production and focused on private labelling and contract manufacturing</p> <p>↓</p>  <p>↓</p> <p>(Innovation Capacity) -Rebranding packaging and introduced new flavors of nuts snacks distributed worldwide</p> <p>↓</p>  <p>↓</p> <p>(Enterprise Development) -Extended from nuts production to private labelling and contract manufacturing of Southeast Asian nut snacks.</p> <p>↓</p> 	<p>Second Generation</p> <p>Skill: Interpreted tacit knowledge from nuts and peas production by adding flavors and herbs to produce Southeast Asian nuts snacks. Top Down: Top management under the founder's heirs leadership. His sons are normally placed in top position, dealing with export trading and external operations while daughters are placed in administrative or internal operations. PUI: Openness in ideas to promote private labelling in export trading distribution to Southeast Asian, Asian and European countries. Involvement: The next generation is strongly involved in export trading and contract manufacturing to explore huge markets of those who love Southeast Asian nut snacks in the international marketplace.</p>	<p>Second Generation</p> <p>Strategy: Implemented fumigation methods and hygienic control in production penetrate export trading by meeting export countries requirement. Achieved recognition in Southeast Asian nut snacks production.</p>	<p>Second Generation</p> <p>Enterprise Development: Established Regent Food enterprise with private labelling and contract manufacturing to become an export trader dealing with Southeast Asian nut snacks.</p>

In the case of Eu Yan Sang, Robert Eu, Clifford Eu and Richard Eu understood the usefulness of innovation in enhancing ideas as well as the need to collaborate with foreign enterprises to learn about technology and invest in R&D to produce new herbs capsules and health supplements to be distributed by retail outlets located in strategic places. The Chew family from Khong Guan partnered with other Asian food chains to appeal to markets in non-Asia countries such as the United States. In USA, Khong Guan partnered with Cerebos, spokesperson of Brand's Chicken Essence in 1987. Khong Guan was awarded the Cerebos' most outstanding performance distributor award four times. Both Eu Yan Sang and Khong Guan are third generation firms and pay attention to more sophisticated forms of innovation, both in terms of R&D and organizational changes when the business was expanding.

Innovation capacity is positively influenced when expectations among top down relations are aligned with organizational outcomes and objectives. Additionally, a firm's innovation capacity is enhanced when family businesses translate their strategies into clear business unit targets. Again, family involvement influences innovation capacity because of the characteristic family top-down relationships. During the generational change, the founder would have given a high degree of managerial autonomy to the next generation. During the third generation, the top management is monitored by a cousin consortium formed as professional teams to manage overseas businesses and higher investments in plants and machinery.

In certain family SMEs, a concerted attempt was made to transform a declining "old" enterprise into a "new" enterprise. For example, Lee Haw Yuan and Lee Haw Huang from Hei Hwang successfully transformed their family's knowledge of herbal drinks

production into an instant Ipoh coffee and health drinks production. As Lee Haw Huang put it:

“As we spent over the years in health conscious related business, we lead today from the acquired instincts, the guts, the feel and the interpreted knowledge of how to conduct the family business. As a result, we continue to add more value to our products thus maximize the result of body healing. Contract farming utilized land bought in Guangdong, China was to create a win-win situation to deliver ultimate results from the chosen ingredients⁵¹.”

In the case of Eu Yan Sang, joint-ventures with a British pharmaceutical firm and R&D collaboration with the Chinese University of Hong Kong helped the firm to develop a therapeutic formulation to treat gynaecological disorders as well as new formulas to target specific ailments. This led to the development of Eu Yan Sang from a traditional medicinal hall to an Asian TCM practice with herbal store retail chains, clinics, restaurants and treatment centers. London Biscuit partnered with Hwa Tai Distribution Sdn Bhd to market and distribute its best-selling product – the Lonbisco Swiss rolls. The partnership would result in streamlined operations where Hwa Tai Distribution would become a key distributor to mini-markets, supermarkets and hypermarkets in Peninsular Malaysia for its Swiss rolls. The arrangement is expected to enable London Biscuit to produce more innovative Swiss rolls from its current four fully-automated and two semi-automated plants in Johor.

5.9 Advancing Tacit Knowledge through MNCs Collaboration

Table 5.9 provides insights into how skills, top down, Perceived Usefulness of Innovation (PUI) and family involvement changed these family SMEs in terms of food production. This table provides insights into how these firms have come up with necessary strategy implementation to sustain growth after a generational change. This

⁵¹Interview conducted (26.10.2012, 7-8pm) went through telephone conversation between Kepong and Ipoh. Second interview conducted (11.12.2012, 9-10pm) at Hei Hwang factory compound, Ipoh.

table shows that not all family SMEs in food production learnt from their mistakes while others pushed their business forward. Additionally, their recognition of the important contribution of MNCs to their growth is undeniable. Some of them grew from a greater focus on technological capability development and innovativeness as the source of their competitive advantage. This, along with their collaboration with selected foreign MNCs as strategic partners, propelled growth of their family business in Malaysia as well as their overseas operations, improving their innovativeness in the global supply chain. Some of them remained small and relied on single products manufactured without diversifying into any business trade other than their prime focus in food production.

As indicated in Table 5.9, some firms remained small and targeted the local market without collaborating with any MNCs since the family members wished to stay unique. Other SMEs were able to expand and became more established after collaborating with MNCs. Certain family SMEs depended on their strength and capabilities to deal with foreign MNCs such as being a food supplier for UK Tesco stores, evidenced in the case of King's Confectionery and Vit Makanan. King's Confectionery established outlets in every Tesco store branch in Malaysia. Collaboration with MNCs enhanced further business cooperation with other larger food processing firms (Ayamas) and the airline industry (Firefly) as suppliers of sauce products and food products, made easier as their products met the standards of the Tesco Food Manufacturing Standard (TFMS) and Halal food accreditation by Jakim. Vit's Makanan was able to achieve brand recognition in the European market as well as in Asian and halal markets, building on the government's effort to participate in the global halal food supplier chain.

Table 5.9: Analysis Impact of Generational Change on Developing Tacit Knowledge through Innovation in Food Production

Family Enterprises/ Business Nature	Year of establishment/ Generation/ Succession	Skill Changes	PUI Changes	Strategy changes after generational Change	Enterprise development (First Generation)	Enterprise development (Next Generation)
1. Eu Yan Sang (EYS) (Large Enterprise)	1842-2011 (3 rd Generation) (Father-Cousin)	Interpreted from physician remedies to scientific herbal medicine	Ideas from medical hall to TCM retail shops and wellness clinic facilities	Evolved from herbal concoctions to formulas for specific ailments	Extended from medical hall to EYS retail shops and TCM clinics	Extended from EYS group to partnership with British Natural food
2. Khong Guan (Biscuits) (Large Enterprise)	1937-2011 (3 rd Generation) (Father-Nephew)	Interpreted from traditional biscuits to assorted Confectionery	Ideas from personal biscuit production to access Arnott's food recipe	Evolved from targeted Overseas Chinese to the non-Chinese Market	Extended from a biscuit factory to Khong Guan food industries	Extended from Khong Guan biscuits to Asia's finest biscuits production
3. London Biscuit (Biscuits) (Large Enterprise)	1994-2011 (2 nd Generation) (Father-Son)	Interpreted from corn snacks to twist wrap instant confectionery food products	Ideas from snack food to candies, cakes & egg poultry business trading	Evolved from mastering food trading to export trading	Extended from snack food to pie, cakes and candies production	Extended from pies and cakes to be Southeast Asia's largest cake roll producer
4. Tatawa (Biscuits) (Medium Enterprise)	1981-2011 (2 nd Generation) (Father-Nephew)	Interpreted from hand-made wedding cakes to OEM biscuits	Ideas from traditional pastries to export biscuit production	Evolved from pastries production to Tianje mooncakes production	Extended from family bakeries to Tatawa biscuits enterprise	Extended From Tatawa biscuits to a recognized export based producer
5. King's Confections (Cakes & Breads) (Medium Enterprise)	1977-2011 (2 nd Generation) (Father-Daughter-Son)	Interpreted from hawker food to pastries and bakery production	Ideas from Hainanese food culture to King's designed pastries and bakeries	Evolved from pastries production to transfer to the Bangladesh food market	Extended from a coffee corner to King's confectionery retail chain	Extended from King's to Pak Hailam café; cooperated with Tesco
6. Laksamana Usaha (Noodles) (Medium Enterprise)	1975-2011 (2 nd Generation) (Father-Son-Daughter)	Interpreted from hand-made to clean technology noodles production	Ideas from an ethnic enterprise to an ultra-modern noodles production	Evolved from ethnic based noodles to Malaysian Halal noodles production	Extended from a home-based cottage production to a supply chain enterprise	Extended from a hawker center to Chinese Muslim restaurants
7. TPC Plus (Egg) (Large Enterprise)	1976-2011 (2 nd Generation) (Brother-Outsider)	Interpreted from poultry egg farming to fruit biotechnology	Ideas from poultry egg farming to enzyme vinegar biotechnology	Evolved from poultry farming to enzyme vinegar	Extended from a TPC poultry farm to integrated agriculture	Extended from TPC Plus to venture into biotechnology
8. Vit Makanan (Noodles) (Medium Enterprise)	1975-2011 (2 nd Generation) (Father-Son)	Interpreted from food trading to instant noodles production	Ideas from local supply chains to UK Tesco halal food supply chains	Evolved from food business trading to Malaysian halal food export trading	Extended from Taiwanese food trading to instant noodles	Extended from local food to export based Malaysian halal food
9. Besfomec (Chinese Herbs) (Medium Enterprise)	1948-2011 (3 rd Generation) (Father-Son-Nephew)	Interpreted from herbal to essence supplement formulation	Ideas from herbal trading to essence gifts shop	Evolved from medical hall to a GMP essence tourist spot	Extended from Chinese medical hall to essence production	Extended from an essence factory to export based health foods
10. Baker Cottage (Cakes & Breads) (Large Enterprise)	1994-2011 (3 rd Generation) (Father-Son-Grandson)	Interpreted from day old chick farming to integrated bakeries and food processing	Ideas from integrated poultry chick farming to food processing and bakeries with café retail chains	Evolved from integrated poultry farming to core products retail chain	Extended from poultry farming to contract farming and outsourcing	Extended from integrated poultry farming to a bakeries café retail chain
11. Ghee Hiang (Sesame oil & Biscuits) (Small Enterprise)	1865-2011 (3 rd Generation) (Father-Friends-Family)	Interpreted from traditional recipes to Penang heritage food production	Ideas from traditional food stuff to Penang heritage gifts shop and R&D in sesame oil production	Evolved from pastry flagship stores to a Penang heritage gifts shop and property	Extended from an oriental pastries house to a Ghee Hiang food enterprise and investment	Extended from Ghee Hiang enterprise to a Penang tourism gift shop

Family Enterprises/ Business Nature	Year of establishment/ Generation/ Succession	Skill Changes	PUI Changes	Strategy changes after generational Change	Enterprise development (First Generation)	Enterprise development (Next Generation)
12. Kum Thim (Soy Sauce) (Medium Enterprise)	1970-2011 (2 nd Generation) (Father-Son)	Interpreted from sauce production to export based frozen food production	Ideas from sauce production to cultural-based frozen food production	Evolved from sauce production to cultural-based food production	Extended from home-based sauce production to a cultural food enterprise	Extended from Kum Thim food to food expert partnership business
13. KLT Food Industries (Restaurant) (Medium Enterprise)	1972-2011 (2 nd Generation) (Father-Daughter-Son)	Interpreted from Hong Kong cuisine to Southeast Asian food production	Ideas adopted from Hong Kong cuisine into Malaysian food industry	Evolved from restaurant catering to KLT food processing	Extended from a hawker center to a Hong Kong style restaurant	Extended from restaurant to export based 1 Malaysia KLT food
14. Red Horse (Cordials) (Small Enterprise)	1964-2011 (2 nd Generation) (Father-Son)	Interpreted from concentrate juice cordials to private labelling automation	Ideas from Malaysian tropical juice cordials to export based private labelling halal juice production	Evolved from pioneer to distribute juice cordials to the global halal food market	Extended from home based juice production to a private labelling drink enterprise	Extended from Red Horse to Shoon Kee juice enterprise and realty
15. Hei Hwang (Coffee) (Small Enterprise)	1975-2011 (2 nd Generation) (Father-Son)	Interpreted from herbal drinks to instant white coffee production	Ideas from herbal drinks to an instant coffee series and organic health drinks	Evolved from herbal drinks to instant coffee and health drinks	Extended from herbal drinks to Hei Hwang instant white coffee	Extended from Hei Hwang to export trading and contract manufacturing
16. Eng Hup Seng (Sesame Oil) (Small Enterprise)	1987-2011 (2 nd Generation) (Father-Son)	Interpreted from sesame oil production to private labelling and selling in bulk packaging	Ideas from Mother brand sauces to sell in bulk to food operations such as Nestle and Lam Soon	Evolved from local brand to Southeast Asia authentic sauces brand	Extended from home-based sesame oil production to a hallmark of Southeast Asian sauces	Extended from Eng Hup Seng sauces to an export based private labelling enterprise
17. Regent Food (Peanuts) (Small Enterprise)	1981-2011 (2 nd Generation) (Father-Son)	Interpreted from home based nuts production to export-based nuts snacks packaging	Ideas from fried nuts to health conscious temperature controlled roasted nut snacks	Evolved from targeted hawker food to export-based private labelling	Extended from home based nuts production to processed nut snacks enterprise	Extended from a regional food enterprise to a private labelling enterprise

As shown in Table 5.9, R&D intensity was perceived by enterprises to be important for product development in order to create niche markets in the domestic and international marketplace. For successful R&D implementation, business regeneration and entrepreneurial leadership were critical to promote innovativeness. While new business and market opportunities were explored, new business practices relating to increasing professionalization of the staff's managerial competencies and skills were stressed.

This is illustrated in the case of KLT food where the founder gave full autonomy to the next generation of leaders, led by Lum Kah Sing, to take a calculated risk in developing tacit knowledge through R&D investment. This allowed KLT to develop a range of food products including the promotion of what was termed Malaysian fabulous food. Lum Kah Sing invested around RM1.5 million in plants and machinery in 2003 to produce different kinds of 1Malaysia fabulous foods to cater to the international market. In some cases, the next generation was able to seize new business opportunities by exporting their products that were created through new food technology. With the help of food technologists who worked with marketing teams, Tatawa successfully transformed their family business from a traditional pastries gift shop into a modernized trader exporting biscuits. During the 1997/98 Asian financial crisis, Tatawa increased its production capacity by manufacturing center-filled cookies and chocolates. From single production to multiple production lines and its stringent quality checks and laboratory tests, Tatawa successfully meet quality export standard requirements. Andy Ng Swee Seng, second generation marketing and export director from Tatawa, pointed out:

"The biscuit and cookies making industry in Malaysia have evolved over the years in terms of technology usage and changes in customers' preferences. We cannot rely on the previous reputation built by the founders without seeking improvement. That why we chose to establish Tatawa with the new organization culture that was entirely different than Yong Sherng Confectionery gift shop⁵²."

In the case of Eng Hup Seng, the next generation could not escape from setting up an R&D labouratory testing to produce quality edible oil even though they had a prestigious brand of sesame oil developed by its founder. The firm grew by selling in bulk to well-established food processing companies in Malaysia such as Lam Soon and Nestle. The next generation interpreted knowledge from the founder, who gave full autonomy to his children, to produce different types of Southeast Asian authentic sauces which were distributed to food operation chains in Malaysia and as well as exported to Asian marts in non-Asian countries. The next generation slowly shifted their focus from sales and marketing to R&D and export capacities as evidenced by their stringent laboratory testing to produce different kinds of sesame oil and sauces.

5.10 Developing Tacit Knowledge through Continuous Improvement

Table 5.10 analyzes how family SMEs constantly adopt appropriate strategies to upgrade skills, facilitate top down management and decision-making, improve PUI and ensure efficient and effective family involvement from one generation to the next. Table 5.10 indicates openness to external change, incorporate external talents and the need to include the family business community in a new level of development. One major concern of the founding generation was the desire to guard trade secrets, most evident among food-based industries in third and fourth generations that own traditional

⁵² Interview conducted (19.10.2012, 7-9pm) and visited Tatawa biscuits at Johor.

recipes such as Ghee Hiang, Hei Hwang, Besfomec, Eng Hup Seng and Eu Yan Sang. They started out as small family businesses in the 1850-1900s, set up by migrants from China.

Table 5.10 indicates how knowledge is interpreted from the tacit knowledge of the founder into new products, with differences based on the size of the SME. The need to meld tacit knowledge and tertiary education is one issue that emerges from this table, indicating a healthy interactive process through which skills and knowledge can be accumulated and improved, thereby adding value to the product originally produced by the founder. This practice is in stark contrast with that of the patriarchs, who more often than not, used the business as a means of employment for all family members.

These SMEs have grown through effective skill knowledge transformation by marrying the best of both worlds – professional management practices and the strengths of the family legacy. In the case of Laksamana Usaha, the patriarch founded a traditional noodles production enterprise while the second generation, led by eldest son, Tan Leong Chai, worked through a sibling partnership to upgrade manufacturing facilities skills to manufacture 30-50 tons of yellow noodles, 50 tons of Kuey Tiow and 300-350 cartons of Yee Mee daily. The company operates 365 days a year, running 24 hours with 2 shifts in operation with newly trained employees incorporated on a regular basis. The company introduced rice washing machines to replace the old manual techniques of the founder. The firm was able to develop techniques to produce and distribute halal products, specifically targeting Chinese Muslim restaurant chains in Malaysia.

Table 5.10: Analysis of Effect of Generational Change on Developing Tacit Knowledge through Innovation Based On Size and Age of Family Enterprise

Size and Age of Family Enterprise	Generational Change in Innovation Capacities	Strategic Management in Innovation Capacities	Enterprise Development in Innovation Capacities
Large Scale Family Enterprise Food (London, Khong Guan, Eu Yan Sang, Baker's Cottage, TPC Plus)	From First to the Next Generation Skill: Interpreted knowledge adopted from foreign technology such as British natural food production, Australia Arnott's biscuit formulation and Taiwanese enzyme vinegar. Top Down: Top management given autonomy to engage with professional partnerships, team work cooperation, flattened organization and mentor mentee programs. PUI: Openness to ideas to create Asian super brands with food fusion such as London Southeast Asian cake rolls, Khong Guan wafer biscuits and EYS scientific health products. Involvement: Mostly involved in local food production to a global supply chain of Asian food production; cooperated with other Asian brands.	From First to the Next Generation Strategy: Evolved from a locally-recognized enterprise to an Asian firm with unique food products; adopting a scientific approach with knowledge sharing to produce natural scientific health supplements, assorted wafer biscuits and Southeast Asian tropical fruit drinks.	From First to the Next Generation Enterprise Development: Established Asian or Southeast Asian brand of food with an overseas manufacturing plant; cooperating with foreign enterprises to produce Asian food stuffs catering to non-Asian markets.
Medium Scale Family Enterprise Food (Tatawa, Ghee Hiang, King's Confectionery, KLT Food, Laksamana Usaha, Vit Makanan, Besfomec)	From First to the Next Generation Skill: Interpreted knowledge from the current trend of achieving recognition by upgrading the value processing chain such as clean technology in noodles production or good manufacturing practice in essence products. Top Down: Top management given enough autonomy to develop R&D and engage in new production and marketing techniques. PUI: Openness to innovative ideas to upgrade value to produce superior products such as KLT mooncakes, Fomec health essence and King's pastries. Involvement: Mostly involved in production and marketing to do something different than the previous generation such as IT advancement, franchising, retailing or supply chains in global halal food.	From First to the Next Generation Strategy: Evolved from a family-owned enterprise to adopt other food cultures from various countries and make it recognized to gain acceptance in the Malaysian food industry with products such as Japanese Tianje mooncakes, Hong Kong style KLT foods, Taiwanese Vit's instant noodles and China Fujian oriental pastries.	From First to the Next Generation Enterprise Development: Established locally-accepted food production with different distribution channels upgraded with standard requirements to produce Malaysian-based signature products for export.
Small Scale Family Enterprise Food (Red Horse, Hei Hwang, Regent, Eng Hup Seng, Kum Thim)	From First to the Next Generation Skill: Interpreted tacit knowledge solely based on founder's experience such as Ipoh instant coffee, concentrate juice and nuts snacks. Top Down: Top management under the founder's leadership with a pyramid organization structure. However, quite flexible in top down relations after the next generation takes over. PUI: Openness to ideas; produced own recipes in food production such as Hei Hwang Ipoh Coffee, Kum Thim Yee Sang, Regent snacks and Ghee Hiang Tau Sar Piah. Involvement: Mostly involved in family operations, favoring nepotism to avoid agency costs, mostly relying on Overseas Chinese markets. Relying on supply chain involvement and assigned family members to contract manufacturing agreements with overseas markets, specifically targeting overseas Chinese.	From First to the Next Generation Strategy: Evolved from home-based cottage businesses to food specialists in particular areas to stay unique in the market such as Penang heritage sesame oil, Malaysian Ipoh coffee and Malaysian tropical juice cordials.	From First to the Next Generation Enterprise Development: Established unique food products with less effort to increase production capabilities but promoted private labelling and selling-in-bulk catering to nearby Southeast Asian, Asian and overseas Chinese markets.

Using their own strengths, different family SMEs based on size used different methods to anticipate and respond to changes. For instance, small scale family SMEs were keen to develop a pyramid organization structure to lead and control a top down structure. With time, the next generation would enhance flexibility through a top-down management to improve decision-making and promote idea innovativeness. The second generation in Kum Thim, Mun Siew Leong, was given enough autonomy to engage with marketing executives in order to develop new markets which emerged in new categories. The most important category, after door-to-door selling, was developed with supermarket retail chains in Malaysia.

As shown in Tables 5.9 and 5.10, most family SMEs had clear ideas on how to promote innovation. They did not embrace Western management practices blindly. The second generation, as indicated in Table 5.10, try hard to do something different and avoid disappointing the founder. They, therefore, enabled their staff, family and non-family, to be involved in knowledge dissemination which ensured clarity of direction and dispensed with practices that inhibited their capacity to invent. This helped them to modernize technology, improve management techniques and introduce attractive marketing mechanisms, as well as establish ventures to explore new markets. This is well illustrated in Table 5.10 among firms such as KLT Food, the Tatawa group and Ghee Hiang. It is evident that the second generation believed in the uniqueness of their products.

5.11 Conclusion

Previous studies argue that new generations of family members are not actively involved in small-scale SMEs, even in the case of Malaysian firms⁵³. This was because these small firms in food production encountered difficulties in promoting information and knowledge sharing through a top down management approach which are factors that turn the new generation away from joining the family firm. Small scale family SMEs in food production face hurdles and restrictions just like other businesses, their growth constrained by unique characteristics which impede their transition into large scaled, well-established food corporations.

However, this study of 18 family SMEs in food production indicates the importance of introducing the 3Ms, carried out in these cases by the next generation to facilitate the development of the founder's tacit knowledge which is a core reason for the growth of these enterprises. Among the large scale family SMEs in this study, organizational restructuring from a family style managerial system to a well-organized structure is clearly seen in firms such as London Biscuit. In such firms, the Chief Operating Officer (COO), who has much related experience and usually a good education from abroad, would oversee the overall operation. In medium-scale enterprises, well-educated family members begin to emphasize the need for R&D and these businesses started to expand with more subsidiaries and a larger sales volume. In small-scale family SMEs, senior family members, usually the founder's siblings remain as shareholders but are not involved in the management of the organization. All these family SMEs were involved in R&D, aided by professional management to enhance production innovation to produce more marketable food products. As they evolved from small to large scale

⁵³ For the study of family involvement, see Ward (1998), Harris et al., (1994) and Gersick et al., (1997). For the case of Malaysia, see Gomez (2007).

enterprises, family SMEs frequently upgraded their technology, keeping abreast with technological advancement to create trusted brands in domestic and international marketplaces. They established manufacturing plants or opened offices abroad to explore potential Asian and non-Asian markets. Some of them even promoted heritage food and marketed the idea of their long tradition of excellence in order to stay competitive and unique in the marketplace.

What proved most imperative for the sustainability of these 18 SMEs was the process of productively transforming the founders' tacit knowledge by commercializing it to preserve this knowledge. Innovation to improve the production process or increase the variety of products was key, and though not absent among the founding generation, it was given new impetus when the second and third generations take control of these SMEs. Their ability to control the production and use of tacit knowledge in their production process gave these firms a competitive advantage that contributed to their growth. In fact, efficient systems of production and methods of organization helped the process of codifying tacit knowledge while administrative coordination enhanced their competitive advantage, a process seen particularly among large and medium scale enterprises.

These 17 case studies in food production indicate that the second generation is most responsible for instituting the 3Ms through implementing changes in the management of the organization, changing and creating a new working culture and fostering R&D. The leaders of the third generation in family enterprises are most likely to promote the idea of a tradition of excellence in food preparation. Ghee Hiang, Kum Thim, Tatawa Biscuits and London Biscuits are cases where the family management was able to leverage on formal training to effectively develop these companies. The case studies

indicate that the first generation usually shows great entrepreneurial capacity while frugality and hard work lead to accumulation of wealth. The second generation is most responsible for organizational and brand development while the third generation would differentiate their uniqueness in food production, making it their forte to propel growth. For example, the second generation of Tatawa Biscuits and the third generation in Ghee Hiang Food implemented major organizational changes to foster the 3Ms that facilitated the creation of branded products and a niche market for themselves. The second and third generations in Ghee Hiang Food and Tatawa Biscuits successfully codified tacit knowledge through relevant strategic planning to improve the efficiency, quality and range of their products. This was done primarily by employing R&D, though this was selectively and carefully carried out to protect their secret recipe by developing research ties with tertiary institutions. Such ties sustained these enterprises across two or more generations.

CHAPTER 6

Conclusion

6.1 Introduction

This study of family SMEs involves a comparison of their histories, organizational development, generational changes and employment of the 3Ms to develop tacit knowledge through innovation. The family firms studied here have been long time active in plastics and food production. Nearly all these family enterprises in food and plastics production began as small enterprises employing a traditional management style. Following a generational shift, they emerged as medium-scale and semi-professional enterprises while in a few cases, they have gone on to become large-scale professionally managed corporations.

This concluding chapter sums up the salient points raised from this in-depth empirical study of 17 food family SMEs, as well as 11 plastic family SMEs reviewed from one generation to another specifically answering questions posed in the Introduction, although tacit knowledge is irrelevant to current trends in plastic technology. This chapter also provides insights into the different forms of family enterprise development in food production, drawing attention to the overall implications of this study and reviewing the limitations of this research, offering suggestions for future research. It concludes with a discussion of the importance of constantly nurturing innovation capacities to sustain an enterprise across generations, specifically by developing tacit knowledge in various forms or by upgrading the quality of their products.

6.2 Tacit knowledge, Management and Longevity in Production

In Chapters 4 and 5, tables that listed organizational changes within 28 second, third, and fourth-generation family SMEs involved in the manufacturing of food and plastics products were provided. These two chapters traced organizational changes across generations in terms of the number of branches, managers, employees and equipment. These two chapters further indicate that the number of new products produced as well as the increase in accumulated capital and investments in equipment have all evidently contributed to growing annual sales.

A key point emerging from a comparison of plastics and food production firms, as indicated in Table 6.1, is that nearly one-third of the 17 family enterprises in food production were established in the mid nineteenth and early twentieth century. Only two of the 11 firms in plastics manufacturing were formed before 1950, a point that cogently exposes the difficulty in sustaining plastics-based firms over a long period. This is significant given that the volume of capital investment in plastics product manufacturing is far higher than that required for food production. Crucially too, the growth of plastics-related firms occurred primarily during the 1970s and early 1980s, due to the boom in the electronics and electrical (E&E) sector, a factor that would contribute to the upgrading of products to meet the changing needs of customers. This is clearly seen among plastics SMEs that actively acquired technology from different countries, including Britain, the United States, Japan, Taiwan and China, to innovate tacit knowledge and keep pace with the technological evolution in plastic production.

Food-related firms, on the other hand, have shown consistent growth across generations, primarily by investing in product development and by ensuring that tacit knowledge

iscodified in different forms. Modes of production and marketing have changed from traditional shops to export trading, private labelling and franchise outlets, which are all related to the original know-how of the founder. As further illustrated in Table 6.1, almost all plastics manufacturing companies would eventually evolve by producing goods far different from their original products although the tacit knowledge of the founders led to their early development.

Table 6.1: Organization Development in Plastics and Food Production

Profile & Organization Changes	Plastics Production	Food Production
1. Year of establishment	Oldest: 1929 Latest: 1988 2 nd Generation : 9 cases 3 rd Generation : 2 cases Most of the plastic firms adopted: British-type manufacturing (1929-1950); America-type manufacturing (1960-1970); Japanese-type manufacturing (1980-1990); Taiwanese-type manufacturing (1990-2000); China-based manufacturing (2000-2010).	Oldest: 1842 Latest: 1994 2 nd Generation : 6 cases 3 rd Generation : 12 cases Most of the food firms evolved as: Traditional stores (1842-1900); Traditional manufacturing (1910-1950); Export trading (1960-1970); Private labelling (1980-1990); Franchise/outlets (2000-2010).
2. Annual Sales (RM)	Highest: 255 million Lowest: 1.5 million Most plastic firms registered growth in their annual sales during the Look East Policy period (1980-1990) and AFTA involving Japan-ASEAN Trade (1990-1997), but encountered a fall in their annual sales during the Asian Financial Crisis (1998-2000) and the Global Financial Crisis (2007-2009).	Highest: 500 million Lowest: 4 million Most food firms registered growth in their annual sales due to the Tourism Planning of Southeast Asia (1985-1990) program, when Malaysia promoted brand products and halal food (1990-2000), though a fall in annual sales occurred following the Global Financial Crisis (2007-2009).
3. Number of Employees	Highest: 2000 people Lowest: 50 people Most employees were involved in plastic dipping and product assembly processes to cater to mass production in semiconductors and electronics.	Highest: 600 people Lowest: 25 people Most employees were involved in food production, packaging and as outlet staff to expand distribution channels including export capacity and business franchising.
4. Number of family members	Highest: 90 people Lowest: 8 people Most family members shifted from family enterprises to knowledge intensive enterprises, mostly in production, administration and R&D.	Highest: 130 people Lowest: 10 people Most family members shifted from home-based cottage businesses to export trading enterprises. The emphasis was on improving production, R&D and marketing.
5. Number of Manager	Highest: 50 managers Lowest: 5 managers Managers were well-placed in medium and large scale enterprises when these SMEs started to diversify and expand their manufacturing plants based on industry specifications.	Highest: 50 managers Lowest: 5 managers Managers were well-placed in medium and large scale enterprise when these SMEs started to produce a series of brand products that were distributed worldwide.

Profile & Organization Changes	Plastics Production	Food Production
6. Number of Branches	Highest: 7 subsidiaries Lowest: No subsidiaries Most medium and large scale enterprises established subsidiaries in local and international markets to build new manufacturing plants and targeted MNCs based on industry specifications.	Highest: 200 outlets/branches Lowest: No outlets/branches Most medium and large scale enterprises in food production established outlets in local and foreign markets to build food retail chains and develop brand products.
7. Number of Machines	Highest: 200 machines Lowest: 10 machines Most medium and large scale enterprises in plastic production invested in machines to enhance production capabilities based on different projects awarded by MNCs.	Highest: 230 machines Lowest: 8 machines Most medium and large scale enterprises in food production invested in machines, specifically those involved in large food retail chains.
8. Number of New Products	Highest: 150 products Lowest: 20 products Most new products in plastics SMEs were manufactured by medium and large scale enterprises which had diversified their range of products based on industry specifications.	Highest: 150 products Lowest: 5 machines Most new products in food SMEs were manufactured by medium and large scale firms which produced brand products based on creating niche markets.

Table 6.1 indicates that family SMEs in food production achieved higher annual sales growth compared to plastics production enterprises. This is due to the way food production in Malaysia has evolved over the years from one generation to the next. The longevity of most food firms such as Eu Yan Sang, Khong Guan and London Biscuit can be attributed to a shift in their main manufacturing plants to other countries such as Singapore, a factor which led to more capital investment that increased annual sales growth. The growth of annual sales is partly due to the commitment of the Malaysian government to the development of SMEs, including those in food production. This is seen also in the creation of the Halal Industrial Development Corporation to get SMEs to collaborate with government and large, foreign-owned retail chains to create global supply chains. In general, Malaysia's Muslim will prioritise buying food products that have *Halal* and *Shariah* compliant clarifications issued by the Department of Islamic Development (JAKIM). Importantly too, market trends over the past few years indicate a global increase in the demand for Halal food products.

In both food and plastics production, the government's efforts to promote manufacturing are aligned with the Second Industrial Master Plan 1996-2005 (IMP2) and Third Industrial Master Plan 2006–2020 (IMP3) which also coincided with the country's vision for 2020 (MITI, 2005). These public endeavors contributed to an increase in the annual sales growth for family SMEs involved in plastics and food production. These plans provided an integrated approach to the development of industrial areas and opportunities in plastics and food production to cater to booming semiconductor and biotechnology industries as more MNCs opened manufacturing plants in Malaysia. However, family SMEs in the manufacturing sector were badly affected by the Asian financial crisis (1998-2000) and the global financial crisis⁵⁴ (2007-2009), primarily those that had established strong business networks with MNCs such as Japanese and US-based knowledge intensive firms. To deal with these economic crises, family SMEs in plastics production such as Lee Huat collaborated with the Malaysian government and foreign plastics technology companies to develop new design capabilities. In the food industry, London Biscuits strengthened its corporate image and reputation by cooperating with MIDA⁵⁵ to increase export trading and develop the profile of its products in the international marketplace.

Table 6.1 further indicates that tacit knowledge retention is more important in the food production sector compared with plastics production in order to stay unique in the market place. In food production, most family SMEs tend to be reluctant to promote R&D openly if it involved non-family members because families in this industry are extremely secretive about their tacit knowledge. Technology upgrading through R&D

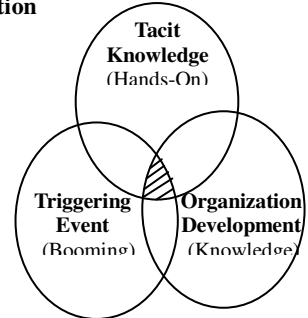
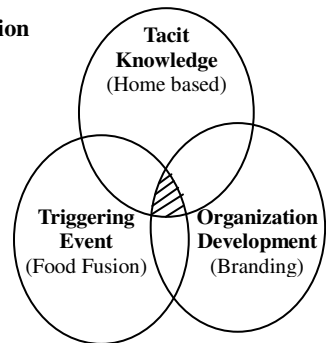
⁵⁴ Following the 2009-2010 global financial crisis, for example, large enterprises in this study such as the Chang Huat group replaced its plastic injection business with oil and gas bunkering services. London Biscuits was forced to alter its brand strategy by promoting Southeast Asian foods in the global arena.

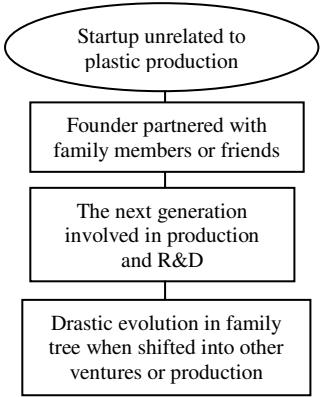
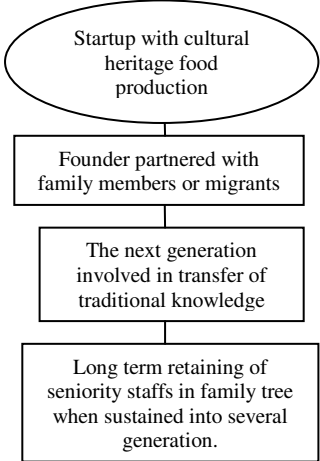
⁵⁵ MIDA refers to the Malaysia Industrial Development Authority, a government agency established to advise the federal and state governments about coordinating industrial development and promoting foreign investment.

involves collaboration with employees whom family members fear may acquire this tacit knowledge, introduce changes to produce similar products, and eventually emerge as major competitors; there is much evidence even in this study to indicate that this has happened. However, in-depth cases studies indicate that large scale food SMEs tend to collaborate with foreign partners in new product development, particularly to cater to strong market demand for ready-to-eat health supplements and confectioneries.

In terms of machine upgrading and product development, family SMEs in food production encounter numerous challenges privy to export trading opportunities, involving catering to mass production. One major difficulty was changing the product's nature and packaging due to brand identity and uniqueness in tacit knowledge. This was less of a problem for SMEs in plastics production as rapid changes were primarily found in this sector, necessitating the need to constantly modify the nature of their products. However, for food production, quite a number of SMEs in this study coped well by focusing on business rejuvenation, even creating branded food products and a niche market, by retaining old family members and recruiting professional managers to help carve a name in the marketplace as shown in Table 6.2.

Table 6.2: Historical and Family Background in Plastic and Food Production

Profile and Organization	Plastics Production	Food Production	Comparison between Food and Plastic production
Brief History	<p>From founder to the next generation</p> <p>(Brief History) Founder had tacit knowledge but the next generation shifted direction to plastic technology.</p> <p>(Tacit Knowledge) Hands-on workshop, trading house or services accumulated during founder generation.</p> <p>(Triggering Event) New innovation that created new markets from a booming industry and involved in global supply chains.</p> <p>(Organization Development) Evolved from low end labour intensive to high end knowledge intensive plastics production.</p>	<p>From founder to the next generation</p> <p>(Brief History) Founder had tacit knowledge which was later developed by the next generation, more enlightened about improving traditional food preparation methods.</p> <p>(Tacit Knowledge) Home-based cottage business, hawker food and ethnic enterprise; knowledge accumulated during founder generation.</p> <p>(Triggering Event) Food fusion innovation that combines elements of different food traditions from different countries to create new food trends.</p> <p>(Organization Development) Evolved from traditional an ethnic enterprise to a branded food retailer and franchiser.</p>	<p>Plastics Production</p>  <p>△ Codified knowledge into knowledge intensive services in plastics production after partnering with MNCs.</p> <p>Food Production</p>  <p>△ Codified knowledge into food fusion with good branding of traditional heritage in food production after being involved in export trading and Halal trade.</p>

Profile and Organization	Plastics Production	Food Production	Comparison between Food and Plastic production
Family Tree	<p>From founder to next generation</p> <p><u>Founder generation</u> Usually consists of brothers and/or husband-wife partnership. Tends to accumulate capital from profits.</p> <p><u>Next generation</u> Started to incorporate outsiders as professional managers. However, the eldest son remained as the main shareholder after graduating with a degree and was involved in production and R&D. Lower retention rate of senior staff except those with technical knowledge.</p>	<p>From founder to the next generation</p> <p><u>Founder generation</u> Usually consists of migrants and/or husband-wife partnership. Tends to transfer traditional knowledge only to family members.</p> <p><u>Next generation</u> Started to incorporate outsiders to collaborate with foreign partners. However, daughters can be main shareholders but decisions were made by sons. High retention rate of senior staff who worked in the firm over a long period.</p>	<p>Plastics Production</p>  <pre> graph TD A([Startup unrelated to plastic production]) --> B[Founder partnered with family members or friends] B --> C[The next generation involved in production and R&D] C --> D[Drastic evolution in family tree when shifted into other ventures or production] </pre> <p>Food Production</p>  <pre> graph TD A([Startup with cultural heritage food production]) --> B[Founder partnered with family members or migrants] B --> C[The next generation involved in transfer of traditional knowledge] C --> D[Long term retaining of seniority staffs in family tree when sustained into several generation.] </pre>

Profile and Organization	Plastics Production	Food Production	Comparison between Food and Plastic production
Family Role	<p>From founder to next generation</p> <p><u>Founder generation</u> Upper management usually involved in sales and marketing. Mostly profit oriented without value added production, while founder seeks out reliable partnership.</p> <p><u>Next generation</u> Started to hire more technical R&D staff to keep pace with market changes. The next generation needed to be involved in production and R&D before being appointed as CEO.</p>	<p>From founder to next generation</p> <p><u>Founder generation</u> Upper management usually involved in protection of tacit knowledge. Mostly traditional in orientation, while founder attempts knowledge transfer.</p> <p><u>Next generation</u> Started to hire food technology consultants to create new products. The next generation prefers to retain certain production methods and conducted R&D to promote heritage culture in food production.</p>	<p>Plastics Production</p> <pre> graph TD A[Founder tends to accumulate capital in family firm] --> B[Enriched with MNC partnerships and education] B --> C[Established new enterprises or manufacturing plants to develop tacit knowledge aligned with changing technology] </pre> <p>Food Production</p> <pre> graph TD A[Founder tends to startup traditional business] --> B[Enriched with foreign technology production and cultural heritage] B --> C[Established braches, retailing outlets and cafés to promote tacit knowledge by strengthening food culture] </pre>

6.3 Historical and Family Background in Plastics and Food Production

Table 6.2 on business history indicates profile and organizational changes of family enterprise in plastics and food production, draws attention to common features they share during the start-up stage and highlights a trigger event that led to crucial new products that enhanced their market base. The triggering events had a positive impact, transforming family enterprises into professionalized corporations. However, in the family tree, firm development also depends on sound governance structure. The first generation owns a business idea which has high entrepreneurial potential though the initial stage of family business establishment faces obstacles of alack of cash flow, an insufficient customer base to support its existence and decision making problems that come with single-handed ownership and authority.

Interestingly too, some of them did not commence their business by focusing on plastics production but had humble beginnings in metal fabrication, aquarium tank manufacturing, bicycles stand workshops, or even as business merchants. Food production firms, on the other hand, relied mostly on the families' traditional knowledge of a recipe inherited from an ancestor. This involves, for example, traditional remedies, traditional baking skills, traditional sauce production and herbal knowledge. These products were produced in an ethnic-based enterprise, venturing into food production by developing a traditional recipe handed down from one generation to the next. For food production, the next generation combines elements of food production from different countries to create new food products like Japanese and Malaysia "Tianje" mooncakes, Southeast Asia's Hei Hwang health supplements, and Malaysia Hainan Chinese King's pastries and food. Plastics production firms which have had to adhere to strong contract

ties and stringent control regulations based on MNCs requirements, it is a core factor that led to difficulties in combining different technologies to create new products that are acceptable to the market.

In terms of the family tree, family members had ownership and control of the enterprise, thus having the capacity to determine its form of development. However, the obvious difference between food and plastics production firms is that in the former, children are trained during their childhood to acquire knowledge of the family legacy in traditional food production. This is crucial as this tacit knowledge must be effectively developed if the enterprise is to grow in a sustainable manner over a long period. The tacit knowledge of the founder tends to change by the time the next generation takes over. What this study does show is that the longer the firm is sustained, the more the family enterprise tends to adopt a business rejuvenation strategy, especially during the third generation, by highlighting its family tradition, showing its capacity to remain competitive and well-positioned in the local market.

In plastics production, which is a mostly male-dominated industry, the son is almost always involved in production and R&D. In the case studies, only two firms, Kemajuan and Yew Lee, had the founder's daughters interested in the production and R&D aspects of these firms. The participation of daughters in production and R&D processes, however, are clearly seen in firms involved in the food industry. However, even though these ladies would also be temporarily in charge of the organization, they would later pass the leadership role to their brothers who would emerge as the main shareholders and CEOs. This was clearly seen in food SMEs such as King's Confectionery, Ghee Hiang, Kum Thim, KLT Food and Regent Food.

In terms of the family role, there are several points about the development life cycle of firms in different industries, from small to large corporations (Churchill and Lewis, 1983). Among plastics production SMEs, the founder would seek out a partnership with non-family members to accumulate capital and required expertise in this sector. This is clearly seen in Kemajuan, Guppy Plastic and Lam Seng Plastic where certain family members were unfamiliar with production processes and thus shifted into other forms of production. The next generation mostly produces innovative new products rather than relying on business networks created by the founder. In food production, the founder relies on his family members in the production process to protect the tacit knowledge; a point noted in all the firms under review in this study. The family's role is primarily to promote products that create a niche market, a process aided by highlighting their long tradition in food production going back a number of generations. It is obvious that family enterprises cannot run away from three important issues, that is, management, manufacturing and marketing (3Ms). If these firms do not develop these three issues properly, this may cause internal conflict, particularly following a generational change.

6.4 Food versus Plastic Production: Generational Change and 3Ms

With reference to the 3Ms, the main difference between food and plastics production firms is the strong focus on technical specifications and areas of expertise when the next generation takes over the business, highly required in plastics production as Malaysia rapidly industrialized. The evolution was quite pronounced among plastics production firms, from housewares manufacturer (1950-1960), plastics injection OEM manufacturer (1960-1970) to audio visual and electronic parts for plastics engineering manufacturers (1990-2000). Higher turnover rates of skilled person are common in plastics production firms due to continuous changes in this industry. Plastics production

firms could shut down as they became unprofitable because their products become obsolete due to the rapid rise of new technologies, indicating also the need to place much emphasis on acquiring knowledge from MNCs to secure knowledge transfer. This is clearly seen in plastics enterprises such as Chang Huat Group⁵⁶, Kemajuan Plastic⁵⁷ and Sweetco⁵⁸.

In food production, most firms invest in the 3Ms when they decide to explore new domestic and international markets by developing branded products. They are more focused on sustaining a tradition of excellence in food production, one that is to be handed down from one generation to the next. A common trend in food production is their evolution from traditional cottage businesses in rural areas (1850-1940), to an ethnic-based food enterprise (1950-1960), an export-based enterprise (1970-1980) and finally to a developed franchise that creates food retail chains (1990-2000). This growth trend involves being able to distribute their products, once traditional but now branded goods, to Southeast Asia and large ethnic Chinese markets (Hong Kong, Singapore and China) as well as the UAE and Bangladesh if they produce Halal products.

The longevity of some family enterprises in food production is due to their emphasis on business rejuvenation, clearly seen when they execute collaborations and teamwork with universities and research institutions to accelerate innovation and creativity. There is also a lower turnover rate of senior staff in these firms as most employees are willing to stay in order to share their experience and knowledge of traditional food preparation when food technology is introduced to improve the quality of their products. This can be

⁵⁶ Chang Huat Group shut down its plastic injection plant in Thailand and Indonesia as they were unprofitable.

⁵⁷ Kemajuan Plastic decided to shut down its packaging plant in Casablanca due to higher production cost and unskilled labours.

⁵⁸ Sweetco sold its Maslino PVC floor mats manufacturing plant in Perlis to a Penang-based business merchant because the new generation was not interested joining the family business.

seen in enterprises such as Eu Yan Sang⁵⁹, Ghee Hiang⁶⁰ and Besfomec Industries⁶¹. However, a few of these enterprises would venture into property development to accumulate more capital to invest in technology upgrading, seen in Khong Guan⁶², Ghee Hiang⁶³ and Red Horse⁶⁴. The sustainability of the long established family firms merely depends on how the next generation continues to develop tacit knowledge as shown in Table 6.3.

⁵⁹Eu Yan Sang employed senior herbalists to work in its retail outlets and TCM clinics.

⁶⁰ Ghee Hiang retained over a long period of time a large number of senior staff who were involved in the preparation in its famous Tau SarPiah biscuits.

⁶¹Besfomec Industries showed its appreciation of senior staffs by offering them important positions in the family enterprise.

⁶²Khong Guan redeveloped the TanjongRhu mill into a residential property project citing unprofitable operating costs due to intense competition in the flour milling industry.

⁶³ Ghee Hiang developed double-storey terrace houses in Penang, named as Ghee Hiang Garden. Ghee Hiang Holding was subsequently established as a result of growing profits due because to the rapid rise in property prices in Malaysia.

⁶⁴ Red Horse was established as a realty enterprise to manage all purchased premises and to collect rental which was invested in machine upgrading in their cordial drinks processing venture.

Table 6.3: Developing Tacit Knowledge through Innovation between Food & Plastics Production Firms

Innovation capacities	Plastics Production	Food Production	Comparison between Food and Plastics production
Generational Change and Innovation	<p>From founder to next generation</p> <p>(From tacit to codified knowledge) Each generation codified tacit knowledge into various products that were different from one generation to the next.</p> <p>(Innovation) Skill: Interpreted founder's experience and passed on skills to keep pace with industry changes.</p> <p>Top Down: Top management replaced with project related staff based on industry specification.</p> <p>PUI: Open to ideas, to create flattened organizations to replace hierarchical tiers and focus on new industry trends in market.</p> <p>Involvement: Efficient administrative coordination between family members. Moved into knowledge intensive rather than labour intensive industries.</p>	<p>From founder to next generation</p> <p>(From tacit to codified knowledge) Each generation codified tacit knowledge by highlighting its long tradition to enhance uniqueness.</p> <p>(Innovation) Skill: Interpreted founder's experience and added food fusion elements to create new food trends.</p> <p>Top Down: Top management replaced with younger competent staff to keep track of food market trends.</p> <p>PUI: Open to ideas, to better utilize the founder's tacit knowledge, to promote brand products, and focus on new food distribution channels.</p> <p>Involvement: Focused on business rejuvenation by highlighting tradition to enhance longevity.</p>	<p><u>Plastics Production</u></p> <p>Tacit Knowledge ↓ Relied on knowledge of personal experience or hobby that was not found in plastic industry.</p> <p>Create the Concept ↓ Customization of OEM products and targets MNCs.</p> <p>Codifying knowledge ↓ Converts personal experience to create core products with particular industry specifications.</p> <p>Innovation capacity ↓ Promotes design capabilities and enhances entrepreneurial dynamics.</p> <p>Enterprise Development ↓ Builds on reputation based on industry specifications.</p>
Strategy Management	<p>From founder to next generation</p> <p>(Strategy) Extends business networks with MNCs and prospects through inter-ethnic networks during the founder generation.</p> <p>Extends innovation capacity with MNCs and prospects from the value-added processing chain based on industry</p>	<p>From founder to next generation</p> <p>(Strategy) Enhances ethnic-based food culture with food preparation from traditional recipes during the founder generation.</p> <p>Extends innovation capacity with good packaging and</p>	<p><u>Food Production</u></p> <p>Tacit Knowledge ↓ Relies on knowledge of traditional recipe to distinguish product in food industry.</p> <p>Create the Concept ↓ Creates personal trademark in food products, mostly localized and an ethnic enterprise.</p> <p>Codifying knowledge ↓ Codifies traditional knowledge to prepare unique</p>

	specifications during the next generation.	manufacturing practices based on new trends in market during the next generation.	<p>food products for domestic and international markets.</p> <p>Innovation capacity</p> <p>↓</p> <p>Creates new market trends and unique food.</p> <p>Enterprise Development</p> <p>↓</p> <p>Asian food production in global supply chain management.</p>
Organizational Outcome	<p>From founder to next generation</p> <p>(Enterprise Development)</p> <p>Extends and adds to production facilities when economies of scale depended on bigger plant size.</p> <p>Promotes brand reputation by extending the production line and keeping pace with discontinuous change in the plastics production industry.</p>	<p>From founder to next generation</p> <p>(Enterprise Development)</p> <p>Extends and adds to production facilities when the economies of scale meant creating a bigger niche market.</p> <p>Promotes brand reputation by extending production and keeps combining with other food cultures to promote food fusion.</p>	<p><u>Plastics Production</u></p> <p>Family enterprises always produced different products to keep pace with industry changes.</p> <ul style="list-style-type: none"> • From electronics to semiconductors in plastic packaging or accessories. • From houseware to concept wares in household products. • From low end plastic injection to precision engineering. • From OEM for MNCs to own design service provider. <p><u>Food Production</u></p> <p>Family enterprises always created niche markets to promote product uniqueness.</p> <ul style="list-style-type: none"> • From a traditional food stall to retail chain stores. • From domestic food production to export trading. • From ethnic food to Asian food. • From traditional food preparation (non-convenience) to automated manufacturing (convenience).

6.5 Developing Tacit Knowledge through Innovation in Plastics and Food Production

Table 6.3 presents a comparison of generational change and the development of tacit knowledge through innovation in the food and plastics production sectors. In both industries, creativity and innovation reconsidered less important and more inwardly

directed during the founding generation. With time, the main difference between firms in these industries is that those in plastics needed to be in production networks involving other firms, including MNCs, and their development is intensely dependent on the macroeconomic situation. Since these firms are keen to build on their personal experience in plastics production and acquire a reputation for producing high quality products to supply to MNCs, inter-ethnic business development ties are common with partnerships involving Chinese-Malay cooperation. This enables them to enter into global supply chains linked to MNCs. Firms such as Lee Huat⁶⁵, Sweetco Enterprise⁶⁶ and Cemerlang Raya⁶⁷ demonstrate this pattern of growth. Compared with food production, family enterprises in plastics tend to form partnerships with non-family members to encourage knowledge sharing and capital accumulation to develop well-organized manufacturing plants. However, not many family enterprises forge business partnerships that last until the second or third generation, except for the special case of Kemajuan Plastic⁶⁸ and Guppy Plastic⁶⁹. Plastics firms normally face a great challenge in transforming themselves from labour intensive to knowledge intensive enterprises to keep pace with industry changes, from a low end to a high end economy.

⁶⁵ Lee Huat signed an MoU with the Centre for the Development of Plastics Applications, Italian Institute for Foreign Trade (ICE) and the Selangor Human Resource Development Centre as a first step towards technical collaboration.

⁶⁶ Sweetco Enterprise was inspired by the Look East Policy and involved a joint-venture, Masfloor Sdn Bhd, focusing on Korean technology, and supported by the Perlis State Economic Development Corporation, to produce Poly Vinyl Chloride (PVC) sheeting in Malaysia.

⁶⁷ Cemerlang Raya benefited when Perbadanan Nasional Berhad (Pernas), an agency under the Ministry of Domestic Trade Cooperatives and Consumerism, offered it a permit authority to import products from China. This allowed this firm to establish strong business networks with firms in China.

⁶⁸ Kemajuan Plastic, a partnership between the Chia and Chan families, was able to transform itself from a firm involved in metal fabrication to a packaging manufacturer in the electronics industry. The enterprise's sustainability depended on how the Chia and Chan family members split their job tasks into external (Chia family) and internal (Chan family) operations.

⁶⁹ Guppy Plastic, consisting of Ng and Goh family members, was able to transform itself from an aquarium tanks manufacturer to a plastic injection engineering enterprise. The firm's sustainability depends on how the Ng and Goh family members utilize their personal interests to produce new goods based on industry changes.

Indeed, family enterprises in food production are not dependent on creating ties with other firms. Their unique tacit knowledge in food production is handed down from one generation to the next to develop branded products and increase their customer base in domestic and international markets. This can be seen in medium and small-scale food enterprises such as Ghee Hiang⁷⁰, Besfomec⁷¹ and Hei Hwang⁷². The new generation makes use of the Chinese Diaspora market to enhance business development rather than rely on inter-ethnic business development. Compared with plastics production, those in food production tend to favor allotting certain job tasks to family members in order to protect trade secrets or prevent leakage of traditional recipes. However, not every enterprise in food production felt there was value in nepotism to enhance enterprise development since the involvement of a large number of family members would contribute to disharmony or sibling rivalry. King's Confectionery⁷³ and Tatawa Biscuits⁷⁴ are examples of firms which avoid agency costs and move away from the founders' shadow, developing from traditional stores or pastry houses (founder generation) to confectionery retail chains or OEM export trading (second generation).

⁷⁰ Ghee Hiang's traditional recipe in sesame oil and pastries allowed it to dominate the market in Malaysia, Hong Kong and Singapore. Ghee Hiang's sesame oil was proclaimed the best in the world by the Overseas Chinese community because of the product's uniqueness.

⁷¹ Besfomec used its own traditional herb remedies knowledge in herb essence and Chinese herb supplements to emerge as a dominant player in the market in Malaysia, Singapore, Macau and Hong Kong. Besfomec's herb essence production was deemed Good Manufacturing Practice (GMP) because of its high reputation.

⁷² Hei Hwang used its traditional beverage preparation method to produce instant White Coffee and health supplements and was able to penetrate the China market.

⁷³ King's Confectionery was invited their family members to establish new subsidiaries such as platform engineering works, bakeries, interior design and Pak Hailam Café to avoid agency cost of higher transaction cost.

⁷⁴ Tatawa Biscuits was invited their nephew, niece and cousin to broaden the distribution channel from traditional wedding cake house (founder generation) to OEM biscuits manufacturer to increase sales and revenue.

6.6 Food versus Plastics Production: Recommendation and Discussion

Table 6.4: Recommendations and Discussions in Plastics and Food Production

Perspectives and Issues	Plastics Production	Food Production	Recommendations and Discussion
Historical and Family Background	<p>From founder to next generation</p> <ul style="list-style-type: none"> Requires large capital and latest technology in production. Hard to respond to global market demand due to rapid changes in the industry. Takes time to transform from low end to high end plastics production. Difficult to express product identity and relies on building reputation. Sons, usually the eldest, are always in the top management. Daughters usually not interested to join the production. Hard to retain staff since skill competence changes from time to time. New technology is essential. 	<p>From founder to next generation</p> <ul style="list-style-type: none"> Requires small capital and depends on unique food preparation. Able to respond to global market demand due to product uniqueness. Takes time to evolve from ethnic-based food production to food fusion. Difficult to get wide acceptance in food production and relies on longevity in tradition practice. Sons and daughters usually in top management. However, has a large number of old staff, particularly in third generation. Protecting tacit knowledge is essential. 	<p><u>Plastics Production</u></p> <ul style="list-style-type: none"> Upgrading technology from time to time to turn from labour intensive to knowledge intensive is essential. Enhance foreign partnerships to cultivate design culture. <p><u>Food Production</u></p> <ul style="list-style-type: none"> Highlighting tradition from time to time to create family trademarks in domestic and global arena. Enhance knowledge and technology sharing to develop new products.
3Ms and Objective Setting	<p>From founder to next generation</p> <ul style="list-style-type: none"> Requires technical specifications; limits their ability to adopt own design culture. Distribution channels limited to MNCs in OEM process with limited core products. Needs to be highly equipped in high technology. Thus it takes times to develop expertise or niche market. Job fit according to education background is essential. 	<p>From founder to next generation</p> <ul style="list-style-type: none"> Requires product uniqueness. This limits their ability to adopt other ideas or food fusion culture. Distribution channels are broader in local or export trading and core products are clearly seen. Highly equipped with old traditional processes. Thus, it takes time to be transformed in food production. Not every job must fit the education background. 	<p><u>Plastics Production</u></p> <ul style="list-style-type: none"> Highly promotes design culture; essential to develop own core products. 3Ms implementation should be given more autonomy to enhance free flow of innovative ideas. <p><u>Food Production</u></p> <ul style="list-style-type: none"> Highly highlights tradition in food production; essential to develop brand products in local and international markets.
Innovation Capacities	<p>From founder to next generation</p> <ul style="list-style-type: none"> Products look different and 	<p>From founder to next generation</p> <ul style="list-style-type: none"> Products look unique, 	<p><u>Plastics Production</u></p> <ul style="list-style-type: none"> Family enterprises should enhance career development

	<p>advances from founder's time to the next generation.</p> <ul style="list-style-type: none"> • Skills are upgraded to keep pace with industry changes. • Industry knowledge and technical specifications are required in top management. • Innovation is seen in those who are able to explore new markets and determine new trends. • Highly requires knowledge intensive enterprise. 	<p>keeping in tradition with founder's time.</p> <ul style="list-style-type: none"> • Skills highly preserved and produced series of heritage food products. • Food history knowledge and food technology are highly required in top down management. • Innovation seen in those who are able to distribute brand products. • Highly requires business rejuvenation and highlights tradition of longevity 	<p>to promote knowledge transformation.</p> <ul style="list-style-type: none"> • Family enterprises should utilize innovation capacities to create core products rather than rely on business networking with MNCs that have been built during founder's time. <p><u>Food Production</u></p> <ul style="list-style-type: none"> • Family enterprises should enhance production uniqueness through knowledge transformation across generations.
Strategy Management	<p>From founder to next generation</p> <ul style="list-style-type: none"> • Highly focused on plant size to establish subsidiaries to enhance global supply chains. • Highly relies on business networking with major MNCs and enforces product improvement in the value chain. 	<p>From founder to next generation</p> <ul style="list-style-type: none"> • Highly focused on distribution channels to establish outlets to promote Southeast Asian or Asian food. • Relies on preserving traditions from one generation to the next and enhances product diversification in the value chain. 	<p><u>Plastics Production</u></p> <ul style="list-style-type: none"> • Firms should produce core products as first movers in the marketplace by promoting in house R&D or through technology sharing. <p><u>Food Production</u></p> <ul style="list-style-type: none"> • Firms should produce brand products to stay unique in the marketplace by promoting R&D.
Enterprise Development	<p>From founder to next generation</p> <ul style="list-style-type: none"> • Highly focused on building reputation and achieved numerous awards from MNCs for long service as supplier. <p>Rise or fall of enterprise depends on how they deal with continuous changes in the plastics industry.</p>	<p>From founder to next generation</p> <ul style="list-style-type: none"> • Highly focused on handing down the tradition across generations. • Rise or fall of enterprise depends on how they preserve brand reputation. 	<p><u>Plastics Production</u></p> <ul style="list-style-type: none"> • Firms should anticipate continuous changes in the industry if they are to develop their enterprise. <p><u>Food Production</u></p> <ul style="list-style-type: none"> • Firms learn from evolution of food sector changes in society to continue to develop the enterprise and ensure longevity.

Table 6.4 presents recommendations and a discussion about family enterprises in plastics and food production in terms of profile and organization changes, high level education that new generations are privy to and their confidence to then incorporate professionals as part of the managerial team to codify tacit knowledge. How this tacit knowledge evolves to help

an enterprise grow depends on the industry they are involved in. For firms in plastics manufacturing, diversification mattered and was even essential while the tacit knowledge of the founders, in most cases, diminished in importance. For food production firms, the promotion of vertically-integrated firms was imperative to produce a range of products that emanated from the founders' tacit knowledge. Strategic alliances mattered, primarily for plastics firms, though this was less important for food firms. Among plastics manufacturers, there was a more urgent need to adapt and be more creative and inventive with their designs, while contractual ties with MNCs proved vital to sustain growth. Family firms in this industry faced a dilemma in terms of expressing a product identity and therefore had to rely on building reputation in relation to services provided to MNCs. For firms in food production, they faced a great challenge in gaining market acceptance. They, therefore, focused on enhancing traditional practices of food production from one generation to the next. Firms in food production usually take time to preserve longevity compared to those in plastics production since rapid changes in the latter will push family enterprises to upgrade skills in a short time.

In terms of the 3Ms, those in plastics production require high technical skills and distribution channels linked to MNCs. Jobs based on relevant education and experience are essential in plastics production and not every family member or staff could master new production techniques. Firms in food production are known for their core traditional or branded products since their goods remain unique. The distribution channels for food products are broader with many firms developing export capacity. However, some firms remain small since they prefer to stay unique and protect their tacit knowledge. The next generation, however, is different; having access to better education, they introduced new

production techniques, seen in firms such as London Biscuits⁷⁵ and Vit's⁷⁶. It is recommended here for both industries to better focus on the 3Ms in that their R&D division should be given more autonomy to enhance production techniques and encourage free flow of innovative ideas. This can be clearly seen in LH Plus's design Inc⁷⁷ and Tatawa's trademark⁷⁸.

In terms of innovation capacity, family firms in plastics production upgrade their skills to keep pace with industry changes. However, it is difficult to correlate creativity, imagination, adoption and the way humans think to improve performance in plastics production, particularly to transform into a knowledge intensive enterprise. Therefore, firms with the capacity to keep track of new market trends and respond by creating new products reflect sound entrepreneurial skill. However, firms in plastics production still need a long time to move away from relying on networking with MNCs to production of designs involving registering patents or trademark⁷⁹. As a result, it is highly recommended that the next generation utilizes innovation capacities to create personal core products. Family enterprises in food production tend to preserve their knowledge and market their products with nice packaging and a good appearance to penetrate new markets. However, these firms should take time to better innovate tacit knowledge as branded products given the uniqueness of their products. It is highly recommended that family enterprises in food

⁷⁵ In London Biscuits, Liew Yet Lee was fully involved in production, from overall processing to special projects.

⁷⁶ In VitMakanan, Lai Yach Tat, with an IT background, was fully involved in business development and quality control in instant noodles production. He also makes use of advancements in IT to develop the business.

⁷⁷ LH Plus's design culture was introduced by the next generation to enhance design capabilities in the plastics sector.

⁷⁸ Tatawa's food culture was adapted from the Japanese to create different kinds of Japanese food products.

⁷⁹ A patent is an exclusive right granted for an invention. The patent can be protected by meeting requirements of the Patent Act 1983. However, not many family enterprises in plastics production patent their inventions, though they do register their trademarks in particular industries. For example, Yew Lee and Rayaco were registered under the Yew Lee trademark as experts in brushes and Rayaco's trademark is in cleaning products.

production should utilize their innovation capacities to create branded products that lead towards longevity.

In terms of strategy management, firms in plastics production used to have strong business networks with MNCs and provided private labelling based on parts specification. The next generation focused on implementing in-house R&D to produce entirely different niche products. The main challenge faced by the Malaysian plastics industry is that major MNCs in the electronics sector are shifting their production abroad, primarily to China. As a result, some family enterprises have started implementing in-house R&D, for example in renewable energy⁸⁰ and high quality carrier tape technology⁸¹, in order to explore new opportunities generation.

Food production firms usually established ethnically-based enterprises to build a good reputation in the local market. The next generation tended to highlight their long traditions to stay unique in the food market while also trying to create branded products. The next generation also used Malaysia's reputation as a Halal food hub to get involved in global supply chains or export trading. Compared with those in plastics production, food production firms implemented a vertical integration strategy⁸² as a style of management to develop supply chains. Firms such as Baker Cottage⁸³ and Hei Hwang⁸⁴ use the vertical integration strategy to enhance efficiency in their businesses.

⁸⁰ The Malaysian government has been focusing support on the semiconductor, solar and light emitting diodes (LED) industries. Polynic Industries, in response to this, started exploring opportunities in renewable energy lighting parts.

⁸¹ Kemajuan Plastic was involved in in-house R&D in carrier tape technology to cater to demand from MNCs in the electronics sector.

⁸² Vertical integrating strategy in supply chains is one where the firms are united through a common lead enterprise. Each member of the supply chain produces a different product or service.

⁸³ Baker Cottage used the vertical integrating strategy through integration with the poultry business managed by the Low family. This allowed both farmer and food manufacturer to manage and customize their production according to market needs, particularly in the frozen dough and café food sectors.

To achieve longevity, industries in plastics and food production apply different strategies based on personal strengths to explore new markets or ways of doing things. In plastics production, family members continue to lead team members to achieve numerous awards and recognition for long servicing MNCs. Therefore, their rise or fall depends on the next generation, specifically how they codify knowledge based on industry changes and new innovations. It is important to develop design capabilities in plastics production, from low end labour intensive to high end knowledge intensive production. Since plastics production is a very competitive industry if compared with other countries such as China and Vietnam, family enterprises in this sector have to fine tune their products to compete. For food producers, their rise or fall depends on how the next generation preserves traditional brand reputation while enforcing innovation to upgrade and keep pace with the food revolution. However, it is strongly recommended that career development in food technology⁸⁵ needs to be promoted in order to meet the stringent requirements of international retail chains and global supply chains in the Halal market⁸⁶.

6.7 Overall Study Implications

The primary purpose of this study is to determine how family enterprises, influenced by generational change, altered characteristics of the firm to enhance tacit knowledge with

⁸⁴ Hei Hwang used the vertical integrating strategy through contract manufacturing by utilizing the land bought in Guangdong, China by the Lee family. This allowed both farmer and food manufacturer to customize their production in the export trading in health drinks.

⁸⁵ Food technology is a subset of food science which deals with real production stages. Besfomec, Tatawa Biscuits and London Biscuits focused on food technology to produce ready-to-eat products.

⁸⁶ The Halal market in Malaysia cultivated new business partners and tapped into the rapidly expanding global halal food supply chains in Arab countries and the UK Tesco stores. As a result, numerous food production firms adopted halal food technology lab testing to meet global demand.

specific focus on three areas: organization characteristics (objectives and values), organization structure (3Ms) and innovation capacity. A further analysis was conducted to determine how the different behaviour of the first, second and third generations influenced changes in organizational structure, strategic management and modes of enterprise development. Every generation exhibited different managerial styles. The results indicate that generational change led to changes in terms of company objectives, 3Ms and innovation which had a significant bearing on the way the organization evolved. The new generations had a tendency to minimize risks and maintain harmony in family enterprises. They also started to recruit and retain professional staff to nurture innovative ideas to develop the enterprise, a feature not common in the founder generation.

This research also shows that enterprise development was influenced by how the new generation dealt with the 3Ms. The 3Ms is always a major feature of most of these family enterprises, a point supported by other researchers cited in this study. The findings show that more diversification (manufacturing), improvement in domestic and international networking (marketing) and adoption of professional managers (management) featured prominently in these firms. However, they are difficulties in enhancing and maintaining the 3Ms in the second and third generations. This was due to the pressure felt by the leaders of the companies, specifically not to disappoint the family, founder or the previous generation by failing to perform adequately; hence, the need for more innovative ideas. Generational change led to the introduction of innovation which influenced strategy implementation and organization outcomes.

Innovation capacity is enhanced when the top management gave clear directions to the work floor about what was expected of them. In addition, it enhances an enterprise innovation capacity to translate their strategies to attain clear targets for each business unit. Again, the study indicates that the organizational characteristics (objectives) of a family enterprise can influence innovation capacity because this has an effect on strategy management, entrepreneurship strategy, marketing strategy, business rejuvenation strategy, quality assurance strategy and innovation strategy, primary conditions for effectively managing the whole innovation process. The innovation capacity is solely dependent on personal characteristics of each enterprise towards innovativeness. This study has clearly indicated that different business behaviour practiced by the second and third generations will affect strategy implementation that shapes enterprise development.

6.8 Limitation of Current Research

This study is subject to some limitations. Firstly, the study was only conducted in places located in the more industrialized cities in peninsula Malaysia (see Chapter 3). There are still many areas in other states, like Sabah and Sarawak, or even in rural areas that have a high population of long-standing family enterprises. Secondly, this study only sheds light on the plastics and food industries. Family firms also play an important role in other industries, exhibiting different behaviour in relation to innovation following a generational change. Third, the sample size and number of case studies could have been larger. To accurately evaluate Malaysian family SMEs, a larger sample size would be desirable and a quantitative study could provide more insights. However, a case study approach was adopted here to garner deeper insights into factors that shape how a firm evolves.

6.9 Suggestions for Future Research

This assessment of the histories of Malaysia's longstanding family SMEs in manufacturing indicates that the founders' tacit knowledge has been well deployed by its succeeding generations, indicating their ability to incorporate new technology. By institutionizing innovation within production system, these SMEs are able to employ tacit knowledge productively to stimulate growth. With generational change, managerial hierarchies have become more embedded in these SMEs, though professional control structures have not become totally autonomous from ownership by these families.

Therefore, future studies may look into several aspects recommended here which go beyond the scope of this study. As family businesses grow, corporate governance and leadership become increasingly critical in managing such enterprises. Family businesses are faced with internal conflicts due to the varied interests of each family member, personal egos or personal rivalries that spill into the business environment. However, the overlap between family, business and ownership is clearly seen in these family enterprises. Therefore, future work should determine how risks hidden as intergenerational transfers take place, involving the complexity of the family business according to a Malaysian perspective. In addition to usual business management skills, the particular composition of a family enterprise is such that it needs a specific management style, often based on 'family governance' particularly between the family and business aspects. For example, family protocol is much more essential than the outcome itself. Therefore, the second recommended study should focus on how family governance and firm performance are linked with innovation capacity among family SMEs in Malaysia.

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Appendix 1 Introductory letter



Asia-Europe Institute
University of Malaya



Responses by Generational Change, Innovation Capacity and Enterprise Development: Case Studies of Family SMEs in the Food and Plastics Industry in Malaysia.

I am a PhD student at the Asia Europe Institute, University of Malaya, undertaking a study investigating the challenges faced by family owned small and medium enterprises (FSMEs) in an increasingly global economy. The Mybrain 15 MyPHD from Ministry of Higher Education and University Malaya Research Grant (IPP) are supporting this research. As part of this study, I am interested in interviewing a number of people who participate in or are associated with family businesses in Malaysia during first, second and third generation.

It is generally recognized that FSMEs make a significant contribution to the Malaysia economy. The economic prosperity of Malaysia is largely dependent upon the success of family firms in an increasingly 'global' marketplace. The study aims to increase our understanding of issues surrounding growing the enterprise developments generate from innovation capacity when comes to generational change in FSMEs from 2 manufacturing sectors: Plastic and food industry.

Apart from my academic interest in the topic, the purpose of this study is to provide policy recommendations to facilitate the enterprise development of FSMEs. You and members of your organization are those most closely involved with the day-to-day management of your enterprise. Therefore, your thoughts about the management of your enterprise will be of value to this study. Any information that is made available to me will be treated as strictly confidential, if you feel this is necessary. With your permission, I would like to tape the interviews and transcribe them, for ease of analysis. These tapes will be destroyed and the transcripts will not be identified with any personal or company details, if you do not wish to disclose the name of your firm. In publications based on this study, your firm will not be identified by name, unless you give me permission to do so. While it is hoped that the interviews will be as informal as possible, I will adopt a general interview method during the interview process.

Thank you for agreeing to be involved in this study.

Yours sincerely,

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Family business interview

Section 1 – Profile and Organization Changes of the Firm

- ☐ What is your current role in the organization?
- ☐ How long have you occupied this position?
- ☐ How and when did you commence working for the firm?
- ☐ What are your education qualifications and the nature of your work experience?
- ☐ What are the key skills and managerial styles you bring to the firm?

Section 2 – Organization Characteristic of the Firm

2.1 Board Structure:

- ☐ What is the current structure of the board of directors and what role does it play terms of enterprise development?
- ☐ Is this adequate in your view? How might it be improved? Do you employ managers?

2.2. Management structure:

- ☐ What is the current management structure? How many are family members?
- ☐ How has this changed over time? What caused these changes?
- ☐ To what extent have formal job descriptions being developed for each management role?
- ☐ Is this current management structure adequate in your view? How might it be improved?

2.3 Management processes:

- ☐ How are decisions made within the firm? Who is involved in this process?
- ☐ In what ways does the firm plan for the future?
- ☐ Who is involved in this process?
- ☐ In your view, is this adequate? How might it be improved?
- ☐ How is performance monitored in the organization?

Section 3 – Generational Change Characteristics

Probing questions: Understanding of Research Themes

- ☐ What do you understand by the term ‘Generational Change’?
- ☐ How has the firm developed its innovation capacity across generations?
- ☐ In what ways has innovation capacity affected the enterprise development of firms?

In your opinion, is there much government support for research & development (R&D) among SMEs?

Probing questions: Objective Setting

- ☐ What was the trigger / critical event?
- ☐ Who were the key players in enterprise development?
- ☐ How was this decision made?
- ☐ What is the key motivation for enterprise development?
- ☐ How does this align with the objectives of the firm?

Probing questions: 3Ms (Manufacturing, Management, Marketing)

Entry method employed (direct sales; distributor/agent; joint venture; o/seas office)?

What countries are targeted?

From your perspective, what are your firm’s future 3Ms with regard to its development?

- ☐ Increase – what does the firm need to do in order to achieve this?
- ☐ Same or decrease – why is this?

Probing questions: Innovation

What do you think are the distinct innovation capacity of the firm?

- ☐ What advantages (if any) arise from being a family business?
- ☐ What kind of innovation capacity have been particularly important towards enterprise development?

☐ Has there been any particular innovation capacity that the firm has had to develop? Who has been the instigator/driver of this change?

☐ Are there any other innovation capacity that the firm may need to develop in order to further grow internationally?

What outside relationships have been particularly important to the firm (eg. suppliers, distributors, professional associations, govt. agencies, other FBs, end-use customers)?

☐ In what (if any) way has being a FB assisted in developing these important relationships?

☐ In what (if any) have these important relationships influenced the firm's enterprise development?

Section 4 – Strategy Management and Implementation

☐ What affect has strategy implementation towards enterprise development had upon the firm?

☐ To what extent are family members able to act independently and make decisions?

Effect on enterprise development?

☐ To what extent has the firm being innovative with its PRODUCTS and PROCESSES?

☐ Who are the key drivers of innovation?

☐ Effect on enterprise development?

☐ Would you regard the firm as leader or follower with respect to:

☐ The development of new strategy with your firm;

☐ The development of new ideas;

☐ To what extent does the firm actively pursue business opportunities internationally?

☐ What is the firm's attitude to risk?

Comfortable with venturing into unknown?

☐ Willingness to commit large sums of money to new ideas/ projects?

☐ To what extent does the firm actively take on its competitors?

Section 5 – Organisation Outcome of Enterprise Development

Are there any aspects of the firm's enterprise development that, in retrospect, you think could have been done differently?

- ☐ From your perspective, do you think family businesses have any particular advantages or disadvantages when it comes to growing internationally?
- ☐ Research shows that family businesses are less likely to enterprise development. Based upon your dealings with family businesses, why do you think this is?
- ☐ What advice would you give a family-owned business that was considering expanding internationally?
- ☐ Is there anything else you would like to say that we haven't covered that is relevant to this study?
- ☐ Any supporting documentation that is relevant to the study that I might peruse.

Section 7 : Special Issues on Family Business

- ☐ How far do you understand about intra-ethnics and inter-ethnic business network?
- ☐ Are intra-ethnic corporate tie is important to develop your business? If yes, why and if no, why?
- ☐ Do you found any benefit from promoting intra-ethnic corporate ties? If yes, why and no, why?
- ☐ Do you think inter-ethnic business partnerships are sustainable in the long run?
- ☐ Most FSMEs are reluctant to merge with other firms, for to do so would mean sharing control of the enlarged enterprise development. To what extent you agree with this statement?
- ☐ What are the issues of your FSMEs needs to consider before implementing transnational business transactions?

(Company Stamp) Please state which generations of your family enterprise? 1st, 2nd, 3rd or more

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