

# Compile All

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## **CHAPTER 1**

### **Introduction**

#### **1.1 Tacit Knowledge, Generational Change and Innovation**

Since 2004, small and medium scale enterprises (SMEs) have been encouraged by Malaysia government to endeavour for excellence in competing in an increasingly globalized marketplace. The government has supported this endeavour by getting SMEs to invest in research and development (R&D) to enhance their capacity to innovate. However, the family business literature suggests that corporate organization features unique to such firms limit their ability take advantage of incentives to innovate and upgrade the quality of their products (Hobday, 1995). Since economic change will lead to market differentiation as changes in customer preference occur, unless firms invest in R&D, they face the possibility of losing the market they have already captured (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). This directly influences technical skills and competence knowledge development 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 innovation adoption 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.

This study evaluates the impact of generational change, i.e. following succession when a new generation emerges as owners, on family firms, in terms of enhancing their innovation capacity to develop their founders' tacit knowledge. This study specifically assesses on how multi generations in family firms (second and third generation) codifying their tacit knowledge efficiently through new managerial style, enterprise development characteristic and new product development.

This study traces the development of tacit knowledge in family SMEs in food, involving small, medium and large scale enterprises across different generations. This study also tracks how family businesses link short-term performance to long-term survival by leveraging on the family identity in a world of increasing complexity and constant change. Hence, this study determines how different generations in family businesses adopt different managerial styles, production methods and marketing techniques to produce new products, foster ways of creating value and develop mechanisms to generate revenue based on the founders' tacit knowledge.

Innovation is assessed in terms of upgrading technology to create new products from such tacit knowledge. This study determines the extent to which type of innovativeness that influenced by family protocol or behaviour. This study also determines how second or third generation family firms add value or introduce innovations in their enterprise to compete in an increasingly globalized market. 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, increase its

revenue, create brand products and obtain funding to grow. Only through innovation can family enterprises create value in business activities in times of economic crises. Innovation is dynamic and continuous, and it changes the objectives and form of value creation within a family enterprise.

In most family firms, the owner's leadership and management style have a significant influence on the mode of development of an enterprise, compared with 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 the goods and services produced by converting tacit knowledge to codified knowledge (Voss, 1998). In fact, a crucial factor to ensure the development of a family enterprise is through innovation to develop this tacit knowledge in an effective way, thereby creating a niche for the firm, possibly also creating a brand product. Three basic company functions – research and development (R&D), marketing, and manufacturing – are taken into consideration which can initiate this change of tacit knowledge to codified knowledge and create a system that avails itself to business opportunities that arise in the market as the economy evolves rapidly (Drucker, 1954).

Innovation is crucial to 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. The classic Schumpeterian defined innovation into five entities: new production, new ideas, new marketplace or channel, new supply chain and new mode of enterprise (Schumpeter, 1961). Innovation capacity refers to in what extent the

introduction of new methods could challenge the existing flow of processes in the organization to achieve their goal and objective (Damanpour, 1991; Hult et al., 2004).

Change has been researched in different way to improve the existing researching works (Burns and Stalker, 1961). There is an encouragement to learn success factors related to top-down relations and leadership, customer relationship management and upgrading skills and capabilities. Networking is seen as antecedents of innovation with a view to creating an ongoing process. Upgrading is defined as the ability of the enterprise to make better and value-added products (Giuliani et al., 2005).

The issue of innovation played a vital role in every development or transformation policy agenda. By institutionalizing innovation processes within *innovation systems*, policy-makers endeavour to nurture entrepreneurial capacity and the development of new products and services, including by supporting firms that attempt to transform tacit knowledge to codified forms. The knowledge-based economy differs from capital-based economy where the rules of the game in the knowledge-based economy mostly emphasized speed, flexibility and innovation towards competitive advantage. Fostering innovation to nurture knowledge-based economy has challenged by the role of government to implement policies related to industry specification, product differentiation, benchmarking, branding and industry transformation.

Family SMEs have, however, encountered difficulties adapting to this rapidly changing business environment. But with generational change, the young, if adequately trained, can boost the ability of the firm to compete in the global marketplace by improving skills,

technology and human capital through effective management techniques. Innovation capacity may result in the development of new products, services or technological processes leading 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 look far different from those produced by the founder generation. Generational change in a family enterprise can influence the strategic behaviour of the firm, including by having an impact on its 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' advantages 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 to keep pace with rapid changes within an industry. Organization capabilities influence and shape the management structure during a generational change, converting the enterprise from a hierarchical organization to one that has a flattened organization structure that better encourages the flow of innovative ideas (Davis, 1983; Dyer and Handler, 1994; Upton and Heck, 1997). Generational change would necessitate investing in R&D, developing new markets and creating a new customer base in order to maximize its chances of becoming a modern industrial enterprise (Chandler, 1990; Chandler, 1996).

By definition, multi-generation family enterprises refer 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

history background and accumulated knowledge experiences where family involved in the firms along the timeline will influence and shape recent relations, situations and structure. In a multi-generation family enterprise, more than one family member has involved in ownership management will come to separation of duties in the organization structure (Astrachan and Shanker, 2003). However, recent studies have shown that this generation, as they grow older, generally do not radically change the way they view the world. The new generation is significantly more likely “to enhance the reputation and status of the business in the local community” (Westhead, 1998). First generation in the firms on the other hand is more likely to set priority on “family objectives over business objectives” (Westhead, 2003).

## **1.2 Defining the Problem: Tacit to Codified Knowledge, Generational Change and Enterprise Development in Family Firms**

Different generations proposed 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 operating over a few generations, research has shown that the founder would be less likely to transform his 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 about 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 of the firm that the subsequent generation can develop to increase its competitive power. However, this task of transforming, commercializing and capitalizing on tacit knowledge is not easy. Changing tacit knowledge to a tangible form of codified knowledge, where it is operationalized systematically in a controlled environment to enhance the production process and the quality of a product entails investment in R&D towards sustainability enterprise development. Codifying knowledge considered as long term investment within an organization or family enterprises. It depends on how well of tacit knowledge management to be developed from traditional hierarchical to much more horizontal organization in family enterprises.

However, the attitude and behaviour of family enterprises towards this need to convert tacit knowledge to codified knowledge can change when a new generation takes over (Swinth and Vinton, 1993). The form of management of the business may be influenced by many individuals within the family, an issue that can have a bearing on organizational structure (Lambrecht, 2005).

A matter of related importance when converting tacit knowledge to codified knowledge is that of firm size. Historian and business analyst Christensen (1997) argues that innovation can lead to major changes in business practices, contributing to the longevity of a firm.

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 more industry leadership as well as the need to have well-developed competence to encourage large-scale R&D (Velde, 2001). Although R&D investment is crucial to maintain competitive advantage, different organizations exhibit different characteristics or behaviours based on R & D expenditure (Chen and Hsu, 2009) and distinguishes in terms of governance structure, goal and objectives. (Zahra, 2005; Naldi et al., 2007). These factors might bring pros and cons in the family enterprise with regard to the R & D investments. However, very little attention has been paid to R&D investment within the family enterprise scenario while some attention has been paid to firm size (Munari et al., 2010). R&D investment requires flexibility in the organizational for example openness 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**

Family business is defined as single governed on a potentially across generational basis and has pursued an implicit vision exhibit by a group of family members (Chua et al., 1999). A family business is a “total system” that is derived from a number of sub-systems, including that associated with the founding entrepreneur and the family-member (Dyer and Handler, 1994). The 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 the family and ownership systems overlap 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. The unique characteristics include high cohesion to reach a common enterprise culture, and the formulation of a common method for business development. Second is to enhance mutual trust between family members to ensure efficiency in management to improve the technology level. Third, regardless of the size of the family enterprise, to improve operational flexibility and ensure that there is space between 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 to 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 with a family provenance. On the stock exchange in Germany, the share of family enterprises is 51 per cent. Ikea, Porsche, BMW, Carrefour, Ford, Peugeot and Hyundai are examples of well-known family enterprises. In Southeast Asia, family businesses have a significant presence in the region's corporate sectors and a proven performance track record of contributing to the GDP of these countries.

In 1999, London Business School and Babson College organized the Global Entrepreneurship Monitor (GEM) program to measure differences in the level of entrepreneurial activities between countries, and uncovered factors that influenced entrepreneurial intension in creating new ventures to achieve efficiency in Gross Domestic Products (GDP) between family members in the enterprise. GEM's study in 2002 (see Figure 1.1) shows that business investments by family and relatives are between 30 per cent to 78 per cent or more. India, Mexico, South Africa and Brazil Countries showed where family business financing comprises the largest share of informal investment. Thus, funding new ventures from relatives and family members played an important role in family businesses.

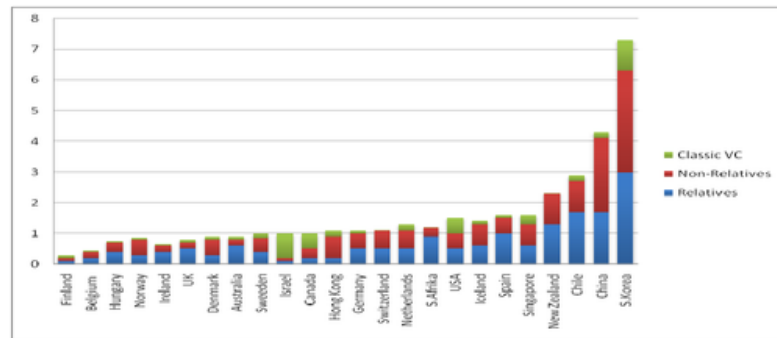


Figure 1.1: Investments from Classic Venture Capital and Funding from Relatives and Non-relatives between Countries.

Source: Global Entrepreneurship Monitoring Studies (2002).

#### 1.4 Family Firms in Malaysia

In Malaysia, nearly 70 per cent of family enterprises remained small and medium-scale firms managed by the founder, while 30 per cent run by the second or third generation consist of founder's heirs (Jasani, 2002). Shared management with outsiders, outsourcing, retaining quality staff, research and product development and exploring new markets have emerged as important criteria following a generational change in a family enterprise as these factors determine its capacity to compete in an increasingly competitive marketplace as Malaysia rapidly industrializes (Soderquist et al., 1997; Gomez 2007). In certain cases, training of new generations is essential if a family hopes to ensure the 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 strongly implemented technology oriented clusters that have managed to create a huge community of components manufacturers namely Original Equipment Manufacturing (OEM) suppliers consisting of family SMEs, that enhanced technology sharing from the partnership and collaboration opportunities . However, due to their poor capacity to build on learning from these ties, family SMEs 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 are generally lower in OEM sales makes it difficult for Malaysian family SMEs to master in R&D expenditure that lead to new products development and industrial upgrading.

Since the Malaysian government has not focused enough on industrial upgrading except to promote industrial linkages between SMEs and multi-national companies (MNCs), this has resulted in an inadequate number of highly industrialized small enterprises as well as poor industry governance and lack of coordination. 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 in industry-university collaborations (Rasiah, 2003).

Research on innovation widely recognizes that collaborations play a prominent role in the process of commercialization and the transfer of knowledge between industry specification and research output from the learning institution, 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 evidenced by not much

of collaborative work or industrial alliances between learning organization such as universities and industries (Rasiah, 2003).

Nearly 80 per cent of Malaysian businesses are family-owned and most of them are SMEs with activities in trading, manufacturing and retailing (Draim, 2001). A World Bank study showed 67.2 per cent of shares quoted on the Bursa Malaysia were owned by family enterprises and 13.4 per cent was 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).

The New Economic Policy (NEP, 1971-1990) served to increase Malay ownership of corporate enterprises. The implementation of the NEP 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 would face different challenges due to the changes in government public policy, including the NEP, depending on which sector they were situated in.

There are three types of enterprise structures: 'Old wealth', 'New wealth' and 'Declining wealth'. 'Old wealth' refers family enterprises established into conglomerates before the NEP implementation, mostly managed by the founders who remained unskilled and with little technology capabilities. These enterprises' early success in the rubber plantation and tin mining sectors had allowed them to diversify into manufacturing activities such as food,

plastics, 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 hardly to compete with foreign firms with more capital, technology oriented and managerial skills enhancement and thus have remained as small-scale enterprises (Khor 1983). Old wealth may have entrenched poor management and control pyramids. Entrenched old wealth founders in preserving the value of old capital and thus became '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 tasty toast and 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 used to produce daily bakeries for the domestic market.

'New wealth' emerged in the 1990s after the enterprises were successfully developed, though in conformance with the NEP and are presently managed by the second generation who are highly educated and have little problem 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 Corporation<sup>1</sup> to establish the first and foremost PVC flooring factory in Malaysia. Since the 'new wealth' enterprises had a crucial role to play in the government's endeavor to rapidly industrialize Malaysia, from "Japan Inc" to "Malaysia Inc" emphasized on private-public partnership

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<sup>1</sup> Perlis is one of the thirteen states in the Malaysian federation.

(Gomez, 1994). Public-private cooperative ties can clearly be seen in Malaysia, most notably in the motor vehicle assembly and distribution sector involving many family firms such as Oriental Holdings<sup>2</sup> and Lion Group<sup>3</sup>. A new generation within family firms has also established cooperative ties with the government. YTL Corporation is one of Malaysia's biggest conglomerates with a track record of 55 per cent 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 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 those enterprises that lacked the entrepreneurial drive when the subsequent generations took over and failed to adapt successfully to the NEP and putting this kind of enterprises either declined or stagnated (Heng and Sieh, 2000). These enterprises have also declined because of slow growth arising from inefficiencies due to entrenched corporate control, high barriers against outside investment, and perhaps also low investment in innovation. The great example is Yeo Hiap Seng (YHS), where 3<sup>rd</sup> generation family members were urged to relinquish their position as directors because of poor performance.

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<sup>2</sup> Loh Boon Siew of Oriental Holdings Berhad is best known for his Honda motor vehicles franchise though diversified with involvements in construction, property development, cement manufacturing, hotel and plantation. There are a number of Bumiputeras listed as shareholders of private holding companies controlled by Loh, most of whom are 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 for an in-depth discussion on major Chinese businesses in Malaysia.

<sup>3</sup> 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. Through his main public-listed firms include Lion Corporation Bhd, Angkasa Marketing Bhd, Amalgamatd Containers Bhd, Chocolate Products Bhd, Lion Land Berhad and Posim Berhad. Cheng is not closely associated with any particular UMNO leader and has obtained one major economic privilege from the government, a license and pioneer status to manufacture steel. However, Cheng has some influential Bumiputera sitting as directors such as Musa Hitam and Zain Hashim. See Gomez 1999.

In the late 1990s, following the 1997 Asian currency crises, the Malaysian government became alerted of globally competitive linkages, involving in particular the need to integrate Malaysian family enterprises into the global supply chains created by MNCs. To aid this process, the government introduced the Global Supplier Program (GSP) and Industrial Linkage Program (ILP), an attempt to adopt organizational capabilities that would enhance successful diversification of the economy (Dosi et al., 1992). However, Malaysian family businesses, including large-scale firms and SMEs, have not been comprehensively researched, specifically how they have adopted innovation strategies to become more competitive in the market.

### 1.5 Small and Medium Enterprises (SMEs) in Malaysia

In Malaysia economy, SMEs played an important role to foster knowledge intensive economic condition as stated in Economic Transformation Programme. SME definition can be determined according to annual sales turnover, assets and number of full time employees as standardized by National SME Development Council (NSDC) during 2005. The definition and categorization may be different in terms of countries origin and government policy. Basically, SMEs are categorized as showed 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
<b>Micro</b>	Less than RM200,000	Less than RM250,000	Less than RM200,000
<b>Small</b>	Between RM200,000 & less than RM1 million	Between RM250,000 & less than RM10 million	Between RM200,000 & less than RM1 million
<b>Medium</b>	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
<b>Micro</b>	Less than 5 employees	Less than 5 employees	Less than 5 employees
<b>Small</b>	Between 5 & 19 employees	Between 5 & 50 employees	Between 5 & 19 employees
<b>Medium</b>	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 period, SMEs value added rose at 7.8 per cent, more rapid than the overall economic changes in growth and development. Indeed, Figure 1.2 further illustrated the increment from 29.4 per cent, 2005 to 31.4 per cent, 2008 indicated the contribution to GDP. However, the contribution of Malaysian SMEs to GDP remains low compared, as shown in Figure 1.3, and there is scope to enhance productivity levels among SMEs by addressing structural issues.

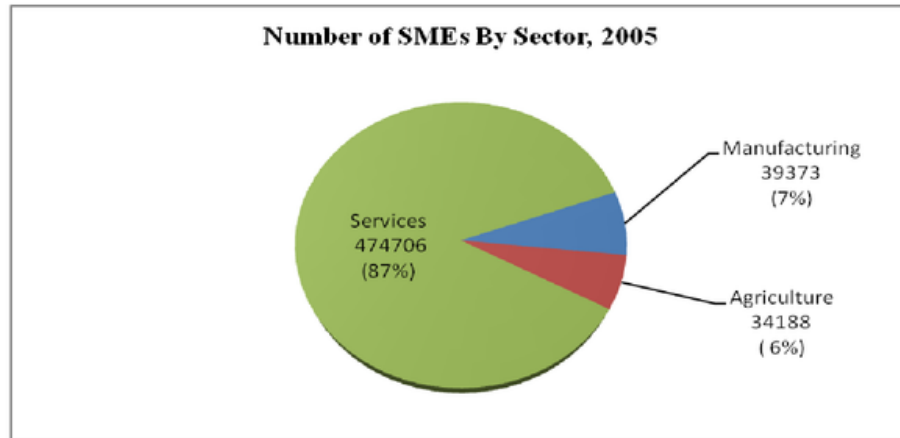


Figure 1.2: SME contribution to GDP in 2005  
Source: Department of Statistic Malaysia, Economic Planning Unit

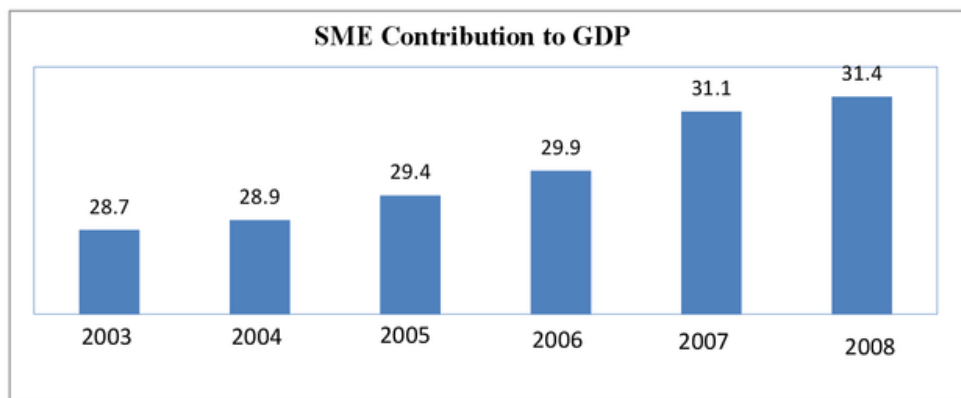


Figure 1.3: Increase in SME contribution to GDP, 2003-2008  
Source: Department of Statistic Malaysia, Economic Planning Unit

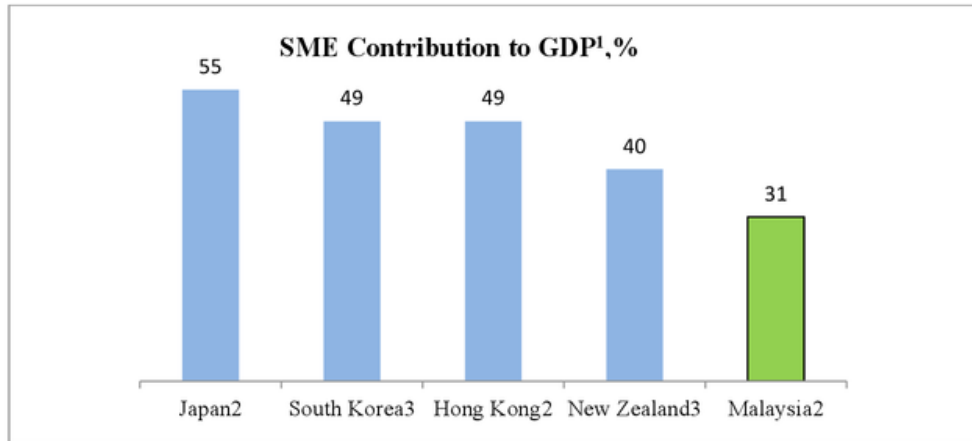


Figure 1.4: Contribution to GDP between Japan, South Korea, Hong Kong, New Zealand and Malaysia.

**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

Many regulatory issues in the case of Malaysia will not prepare SMEs to adapt with regulatory requirement with lower the transaction cost. Two critical issues are ease of starting and closing a business, which the World Bank's 2010 survey ranks Malaysia at 88<sup>th</sup> and 57<sup>th</sup> respectively. Malaysian SME growth is also constrained by inadequate skilled labour. There is little evidence that Malaysian firms are investing in creativity through R & D particularly in the private sector.

This situation can be compared with the French government which introduced the 'auto entrepreneur' scheme in 2009 as a way to encourage more start-ups and entrepreneurial activity. This scheme includes measures to improve cash flow among new companies, by allowing them to spread out social security and income tax costs; measures to make

business registration simpler and less costly; and providing better protection of personal assets in bankruptcy. The scheme has exceeded expectations, with an estimated 320,000 businesses already registered under it, and France saw a 75 per cent surge in new business registrations in 2009. New Zealand introduced a payroll subsidy for firms that employ five people or less. This was remove one of the costs associated with employing additional staff using a payroll agent. Other measures that have been considered are exempting SMEs from aspects of employment law (e.g. hiring and firing) and occupational safety and health provisions.

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 business and promote entrepreneurial intentions compared with Japan and Hong Kong. For example, the University of Kyoto, Japan has a specific strategy to link regional innovation with business incubator and collaborations. Recently, the University partnered with Tsinghua University in China, in relation to the in Kyoto, which is funded by the MEXT<sup>4</sup> Most of the newly built institution considered a creative next-generation hub and R & D center thus enforce new business venture.

Innovation policies in support of SMEs and institutional mechanisms are tends to promote openness innovation, in the form of industry-university partnership. In 2009-2010, Hong Kong ranked third in the Global Innovation Index<sup>5</sup>, out of 132 economies surveyed. In terms of industry-university partnership, Hong Kong ranked twenty-seven. Industry-

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

<sup>5</sup> The 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 lacking of human capital in terms of creativity and innovation is the main reason why GII ranking dropped in 2009-2010.

University partnership has been utilized the innovation efficiency towards product commercialisation and explore niche market to encourage more SMEs to work with universities and nurture innovation culture.

During the 1980s and 1990s when former Prime Minister Mahathir Mohammad launched joint ventures involving state-owned enterprises and foreign firms, in particular with companies from Japan and South Korea, Malaysia as part of the ASEAN countries greatly promoted manufacturing sector as part of the plan to restructure the Malaysia economic towards openness economy given the advantage of multi-racial country has brought more opportunities in export trading since Independence in 1957. Diversification of the economy has been successful in Malaysia. Rubber stated for nearly 70 per cent of the total output value of the agro-based industries; in the 1963–1967 periods, its share declined to about 65 per cent of total agro-based output (Lim, 1973). Consequently, they are two types of diversification related to the industries in Malaysia: first was focused on agro-based industries, from rubber plantation to the palm oil production and other crops; and second was targeted manufacturing-related production, from primary into secondary industries. By 1990, the economy was more industrialized that mostly promoted knowledge intensive industries such as electronic sector and ICT services to attract foreign direct investment (FDI) to achieve good GDP in national economy.

To attract FDI in Malaysia, many family SMEs in all kind of industries evolved from domestic cottage business enterprise into export-oriented manufacturing industries in the early 1970s. This actively evidenced by the introduction of the promotion of Incentives Act of 1986, Investment Incentives Act of 1968, Free Trade Zone Act of 1971 and the

establishment of the Malaysian Industrial Development Authority (MIDA) in the mid-1960s was aimed to promote industrialization era as it avoiding funding for SMEs.

In the colonial and immediate post-colonial periods, foreign enterprises, especially owned by British had controlled the economy. However, Puthucheary (1960) noted that one sector where the Chinese had a dominant presence was in manufacturing, in the business activities mostly family owned ranging from traditional food production to sawmilling. Most of the small scale enterprises were clearly seen in these sectors (Tan, 1982).

By the turn of the century, Malaysia top 100 publicly-listed firms were that 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 – Malaysian Pacific Industries (MPI), which is involved in the electronics sector, OYL Industries, producer of air-conditioning products, and Hong Leong Industries, a tiles manufacturer. Most domestic manufacturing firms in the top 100 in 2001 were owned by Chinese since Independence in 1957. A comparison of the top 100 companies in 1970 with that only one enterprise had managed to retain its position as a leading manufacturer, foreign-owned Rothmans (Lim, 1981; Gomez 2007). This suggests that Malaysian companies were not investing sufficiently in R&D with little development of the tacit knowledge of the pioneers in the manufacturing sector.

## 1.6 Food Manufacturing Sector in Malaysia

In food manufacturing, a growing number of family-owned enterprises have lasted until the 4<sup>th</sup> generation. With incomes rose from time to time, 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* foods”. A growing demand by the international market particularly for *halal* foods has created a great potential to expand it sub-sector globally (SMIDEC, 2007).

In Malaysia, production in the agricultural sector is dominated by rubber, palm oil and timbers (Wong, 2007). The agrifood, food and drink processing industries are Malaysia’s fourth largest manufacturing industry sector, after the electronic production, petroleum refinery and computer hardware. Processed foods are exported to more than 80 countries, with annual export value of more than RM6 billion (approximately US\$1.7 billion), amounting to two-thirds of the total Malaysian food exports. The major food manufacturing sector is come from Malaysia’s main portion of edible oil processing sector, 68 per cent followed by dairy processing (68 per cent), beverages (4 per cent), fish, seafood poultry and meat processing (4 per cent) and bakeries and confectionery (3 per cent) (see Figure 1.6).

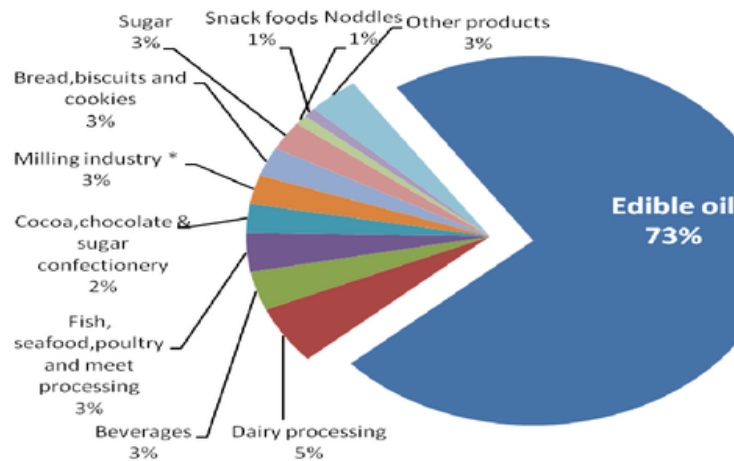


Figure 1.5: Sub-sectors of processed food products in Malaysia, 2008

\*: Rice, wheat and other cereal milling.

Source: Department of Statistics Malaysia, 2008.

There are government controls on domestic prices for specific food products, including wheat flour and sugar, and regulations on food imports. In contrast, production increases in the livestock sector have been relatively strong, with annual average productivity growth of around 3.7 per cent since the 1960s. The improvement in breed genetics has been the 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 the multi-racial uniqueness heritage culture, with a wide range of produced food with Asian tastes. The food production is predominantly Malaysian-owned. In 1982, an approximately of 127,123 venture firms in the food manufacturing and other chosen business activities were established 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

the 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 per cent to US\$6.4 trillion by 2020.

In 2010, Malaysia's food imports amounted at RM30.3 billion while exports amounted at RM18.2 billion and the food products shifted to more than 210 countries and the main products exported were cocoa totaled at RM3.8 billion, processed fish and seafood made products amounted at RM2.6 billion, margarine and shortening totaled at RM1 billion and pet foods amounted at RM1.1 billion. However, mostly food SMEs in the urban area, are relied on imported raw foods to produce their products specially when dealt with foreign investors in establishing the food production plant in Malaysia.

Realizing this situation, Malaysia government identified food production that can be replaced large portion of imported food products available in the domestic market as derived from *Second Industrial Master Plan* (IMP2)<sup>6</sup>. This is to provide a link between upstream food production and manufacturing which would further enhance the development of food sub-sector.

The rural based of food production in Malaysia generally are conservative with traditional food technologies. The production development and distribution channel are usually limited. This slows down the returns on investments and delay in developing the industry. As a result, the *Ninth Malaysia Plan 2006–2010* emphasized value added production in food manufacturing to consider in large-scale commercial farming, value added production

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<sup>6</sup> The *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.

capabilities and the adoption of biotechnology in food technology. This reflects the growing importance of innovation and technological development in the food production towards competitive advantage.

### **1.7 Research Questions and Objectives**

The research questions are:-

- (1) How have family SMEs that have undergone one or more 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 the firm across two or more generations?
- (3) Was the deployment of the 3Ms a core factor for internal expansion of the firm?

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

1. Determine how Malaysian family SMEs in the manufacturing sector shape decision-making to compete with domestic and international markets.
2. Find the reasons why there is little emphasis on technological development by Malaysian family SMEs in the manufacturing sector as well as innovation capacity.
3. Identify the factors that have enabled some companies to overcome such constraints, including by converting tacit knowledge to codified knowledge to create a niche for themselves and emerge as producers of a particular brand product.

4. Identify what other factors among family SMEs, following a generational change, have enabled them to add value to the products introduced by the founder generation.

### **1.8 Significance of the Study**

This study evaluates the impact of generational change, i.e. how the new generation of owners of the family business, enhances the innovation capacity of their firms. This study assesses how generational change will have a bearing on strategic change, specifically the capacity of the new leaders of these enterprises to introduce R&D to convert tacit knowledge to codified knowledge. This study will involve case studies, including in comparative perspective, of family firms that have shown greatest capacity to innovate and create brand products that have allowed them to exist over two generations. The study will provide insights into the capacity of family firms, particularly after a generational change, to employ outside professional and managerial personnel to enhance their capacity to value add to the products they produce. This study, through the employment of Chandler's concept of the 3Ms, will draw attention to strategic management activities that have allowed the most dynamic family SMEs to garner the ability to compete in the international marketplace or venture into new kinds of businesses.

This study will assess second generation, third generation and some fourth generation family firms in terms of business activities and enterprise development styles. Most studies argue that enterprise development during the second or third generation does not contribute much to enterprise development among family firms, attributing this primarily to

succession problems (Graves and Thomas, 2008). The next generation expected to be more qualified and their background (training, language, international experience) can influence decision-making that contributes to enterprise development. However, although some of these studies do argue that leadership transitions have led to the 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 that the second and third generations make use of the 3Ms to enhance innovation capacity that can lead to the longevity of the enterprise. This study will show how different generations bring new ideas that enhance innovation capabilities to compete in the domestic and international marketplace, emanating from their capacity to develop tacit knowledge unique to the family enterprise.

In addition, this study will access professional management in family firms. The move towards hiring professionals by family enterprises is gaining popularity, including in Malaysia. This study will indicate how the next generations perform differently compared to the founder generation in terms of induction of a professional management who are more willing to upgrade technology through R&D and introduce innovative marketing techniques to stay ahead of the competition.

This study will contribute into: First, it enhances the family business literature by focusing on innovation capacities for upgrading technology to create new products to increase competitive power. This will be done by paying specific attention to the capacity of a family enterprise to effectively convert tacit knowledge to codified forms. This study will also trace how the 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 study will determine the features of a family business that have shown the best ability to employ innovation capacity to develop brand products. This is done here by indicating how the second or third generation family firms introduced R&D and added value in product manufacturing to upgrade product quality. This process was further aided by utilizing tacit knowledge effectively and by introducing effective management and marketing techniques. This study will show how new generations in family firms pursued innovation capacity and organization flexibility in the food manufacturing industries, a research method that has not been employed in Malaysia.

### **1.9 Research Scope**

The literature on family firms states that the scope of any sample base is driven by two principles. Firstly, the sample should be purposively selected based its ability to address the questions being asked in the study. 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 this question: “What data sources will best enable me to answer the research questions being asked?” (Morse and Richards, 2002) To do so may require going outside the current sampling design to include negative cases, or choosing additional cases for comparison. Case selection can be used to control for the influence of extraneous variables. This can help to define the boundaries for generalizing from the research findings (Eisenhardt, 1989).

Consistent with the family enterprise definition outlined earlier, the enterprises selected had to be majority family-owned with at least one family owner on the management board. The selection process resulted in a range of generational firms being selected that is, 2<sup>nd</sup>, 3<sup>rd</sup> and 3<sup>rd</sup>+ generations, which assisted in examining the influence of innovation capacity on a family's development of an enterprise.

As the current study is concerned with innovation capacity of family SMEs in the manufacturing sector, the case firms selected had to be presently engaged in enterprise development following a generational change. Given the paucity of research on enterprise development among family enterprises, together with the limited evidence that suggests that these companies face unique challenges developing their firms following a generational change, a family business case study from food industry, was undertaken as this would provide an opportunity to critically confirm, challenge or extend existing knowledge about forms of enterprise development, specifically following a generational change.

Because this study used a qualitative research design, time constraints were a factor when choosing the number of firms for assessment. Several sampling strategies were used to obtain a total of 17 firms from food production, for this study. The criteria used to ensure that the case studies selected met the necessary conditions were that these firms were operating within the SME sector, registered with the Companies Commission of Malaysia (SSM)<sup>7</sup>, family-owned and managed, represented in management by different generations and had shown innovation intensity in manufacturing following a generational change.

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<sup>7</sup> The 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.

These 17 case studies were sufficient to generate a comprehensive profile of the effect of generational change on innovation capacity and enterprise development among family SMEs. An additional 11 in-depth case studies are provided of firms in the plastic products manufacturing sector, though here the concern is primarily to indicate the difficulties involved in developing tacit knowledge. These 11 case studies provide further insights into the evolution of family firms in manufacturing.

### **1.10 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.

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 including converting tacit to codified knowledge, introducing professional management, developing organizational and administrative coordination and forms of enterprise development. Enterprise development is reviewed in terms of the Chandlerian framework, with attention given to family firms in Malaysia.

Part I of Chapter Three covers the conceptual model development, study approach and the research hypotheses. Part II explains the research methodologies used in the study and the research hypotheses; the appropriate method to choose the sampling, how to collect the data

and the suitable ways to analyze the data.

Chapter Four provides detailed information about history of manufacturing firms and tacit knowledge transformation in the plastic products sector. This is to provide insights into family firms involved in the production of 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 retaining tacit knowledge. The discussion focuses on the plastic products sector as it is listed in government documents as one core industry where family SMEs have had a long and prominent presence. A review of the difference in the outcomes of the development of tacit knowledge in this industry and the food manufacturing sector helps provide important insights into innovation capacity.

The fifth chapter covers the in depth case studies about food manufacturing sector. The findings of the case studies are compared and contrasted in the meaningful tables between historical perspective, 3Ms and innovation capacity among large, medium and small family SMEs in the manufacturing sector.

Chapter Six compares food manufacturing with other industries, particularly the plastic products sector, in terms of their retained tacit knowledge and sustainability from one generation to another. The six chapters provide an overview of the study's findings. This thesis concludes by summarizing the findings and presenting the implications of the study. It includes the major findings and offers recommendations for future research in the study.

## CHAPTER 2

### Literature Review

#### 2.1 Definition of Family Business

The literature of family business started to appear in the mid of the 1950s and has increased with over 2000 academic publications. The biggest portion of this academic literature has focused on the issue of succession, though the topics of business strategies and the role of family members in the firm are of much importance; other core topics include exit strategies, financial management and case studies (see Figure 2.1).

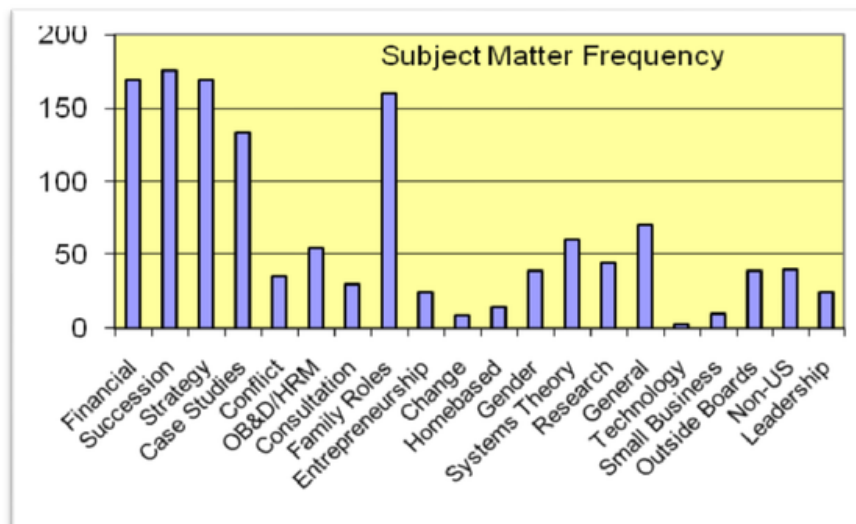


Figure 2.1: The Literature of Family Business According to Subject Matter

\*Source: Susan and George (2008)

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

Koiranen (2002) later point out that controlling ownership should be assigned to the family members without taken away by any third party. Chua et al. (1999) defined a family business as family governance with the aim to achieve the goal of the enterprise in a manner articulated by a dominant coalition of the families across generations towards sustainability. In Chua's study, integrity and commitment to business are two of the most important attributes for Canadian families. Interpersonal skills, past performance and experience are important factors that allow the family enterprise to continue to grow. Astrachan et al. (2003) identified three subscales: experience from the past, controlled power and organization culture. Since the leaders in family enterprise preferred to retain family control during their tenure time (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 broadly have 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). The change increased the complexity of a firm, when come to generational change or succession, required restructuring in family role with duties and responsibilities (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 evolved 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 marketplaces (Gersick et al., 1997). Three main forms of family firms are identified and labeled: Entrepreneur during first generation, family partnership and business dynasty (Gersick et al., 1997; Lansberg 1999).

Table 2.2: Stages of Family Business Evolution across Generations

Generation	Generation 1 : Entrepreneur	Generation 2 : Family Partnership	Generation 3 : 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 2.2 indicates the evolution of family firms, from a simple to a complex business form during first, second and third generations. In order to achieve growth and development, the risk might affect some of the business assets, while difficult to manage and another plan of investments needs to be provided. These issues become more complex with diversified

assets when the family business comes under the control of the third generation. First generation firms often have a “paternalistic” management culture and style with personal vision and usually a first-mover entrepreneur to start up the business. The governance structure is mostly ad hoc and implicitly led primarily by 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 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 to generate new wealth due to the rapid changes in the internal and external environments. The governance structure tends to be one that has board members who are outsiders and implements formal policies to commercialize the tacit knowledge to a form that can last several generations. One key reason why family firms have survived the test of time is because the family members were highly proficient technically in what they manufactured. Competence, cultural fit and previous experience were crucial while autonomy given during a generational change influenced a family firm’s capacity to hire experienced managers, to outsource, to fund R&D and to obtain adequate resources to adapt to a “professional” style of management (Dyer, 1988) to create new products and identify more markets.

In Wong's model, the Chinese family business may sustain itself and develop when the second generation takes over by ensuring that control is once again centralized and held by one offspring of the family; this process is repeated in the third generation and so on (Wong, 1985). A famous case in this tradition is that of Li & Fung, the only Chinese-owned export company 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 still influenced by the family's traditional Chinese thinking, when the family retained a big stake in the enterprise, management and ownership were well aligned.

Previous studies argue that accumulated experience, history background and the knowledge adaption from external environment are the 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 a father in the family enterprises. Typically his qualifications are limited to technical knowledge based on his previous job experience; managerial, marketing and lack of productive manufacturing skills limits the upgrading capabilities of the family enterprise. When family SMEs introduce incremental innovation in operation and product development, they have also enhanced managerial capabilities and organizational development. However, family SMEs faces 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 monarch over the family business while the successor acts as either a helper or as a 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 the consultant at the last phase of the succession process (Handler, 1990). The famous case is Suzuki Motor Corporation where Osamu Suzuki was adopted by the family since he married into the Suzuki family. Osamu Suzuki brought in his eldest son, Toshihiro Suzuki, as a young helper to oversee his sales abroad and implement the carmaker's strategy. In May 2010, Osamu stepped aside as president and chose a non-family member, Masao Toda, to replace him, heralded 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), deals with what happens as a business moves during 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 decision-making of second generation partnered with siblings were formed to facilitate decision-making. At first, the siblings would consider duty segregation by assigning management responsibility, with covered area; or they would set up a top management to discuss major issues (Gersick et al., 1997). As a result, the decisions of the top management played an important role to avoid the knowledge gap in top down management and achieved organization outcomes

(Chrisman et al., 2005). However, in reality, the interactions between the family, the owners, management and the business are much more complex involving knowledge transfer from low end industry to high end industry or labour intensive industry to 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).

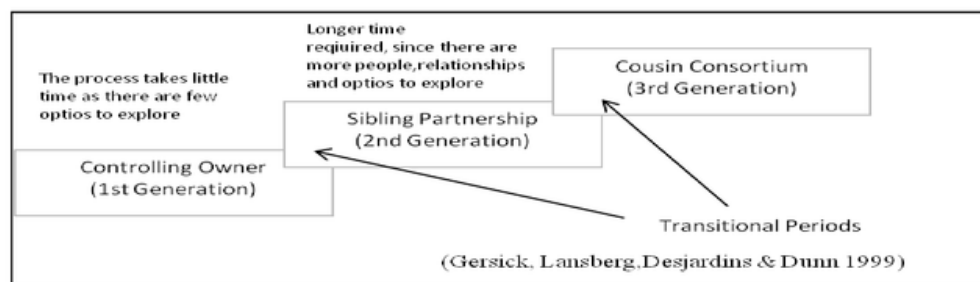


Figure 2.3: Gersick's Transition Periods Model

The model highlights with the greater family involvement in the transition becomes more complex when the next generation join in, one prominent case of a firm in the third generation is Cemex, the world's largest construction supplies and third largest of cement manufactured established in Mexico during 1996. Cemex's management has been controlled by Zambrano family and the 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 low proportion of shares held by Cemex allows the family to retain the power of autonomy through a skillful use of other shares of limited

voting rights and this limit the enforcement of voting rights from other shares (Hoshino, 2003)

Le Breton-Miller's model argues that strategic management of the succession process need to focus on four context: the family business, the family, the social, and the industry contexts (Breton-Miller et al., 2004). In Breton-Miller's study, he grouped variables and improved on Sharma's studies about generational change. The incumbent motivation and successor motivation—variables such as the incumbents' need to overcome the anxieties associated with letting go of the business, and factors that lead to more satisfying succession experience in knowledge transform for the successor under his core concerns (Breton-Miller et al., 2004). This is because strategy formulation and implementation within family firms is 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 functioned strategy to enhance innovation capacity through the firm's vision and objectives (Vision fit strategy), requisite resources and capabilities (Strategy fit strategy) and family ownership structure (family fit strategy).

The case evidence here is the Tata Group of auto manufacturer and IT enterprises, India's most well-known family enterprise. Ratan Tata, as a 3<sup>rd</sup> generation leader, successfully provides strategic leadership on their diversified business to ensure the future development and sustainability. Ratan Tata lead the group to implement strategy plan in 1983 that slowly ventured into technology oriented businesses; study current trend of business venture and

come out with better ideas in product innovation; merges and business partnership; and fostering group cooperation interaction in terms of technology sharing and knowledge transfer. Tata also focused on rebranding of Tata into group cooperate logo that owned by Tata heirs in 1998.

### **2.3 Innovation Capacity in Family Business**

Family enterprises can create robust competitive advantages by utilizing their traditional strengths with new technology upgrading (Porter, 2001). The ability of family enterprises to compete particularly to convert tacit knowledge to codified knowledge depends on how the next generation ensuring the innovation by finding 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 quickly introduce new products and to adapt new processes to 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 make sure the organization capabilities with functional expertise are coordinated, structured and communicated. Technological learning plays a vital role in the family firm's competitive success and is linked to the family firm's enterprise development to exploit entrepreneurial dynamics (Zahra and Covin, 1995). Family firms that operate in

diverse national and/or product markets have access to information on new innovation of ideas and processes to enforce technological capabilities.

And, yet, previous research showed not many family firms can survive up to second generation or more (Lansberg, 1988; Kets de Vries, 1994). However, the existing literature focuses mainly on family businesses operating within European or American context. Family is a relationship-based system but in an American context, the business normally is 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 lead to the choice of strategies to be implemented to develop an enterprise, one that 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 United States attempted to conceptualize several dimensions of family firm strategies in American manufacturing across the century following the Civil War. They focused on longstanding companies that had completed generational transitions. For example, research such as that undertaken by Scranton have produced works highlighting the economic contributions of small businesses indicates that some family enterprises play the sizable role they held in the early and middle stages of US business development (roughly through World War I), they are inherently inefficient (Silcox, 2010). Scranton shows that politicians and policy makers have to debate 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 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 well, however, 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 clearly be seen in Scranton’s research on Campbell, a third generation family-run enterprise. The founder, John Dorrance, had little qualms about rewarding the skilled with bonuses. On the mass production side, Dorrance focused on condensed soups and dropped the firm’s diversified canning lines for a singular, successfully harnessing nascent “convenience” demand in its earliest stages. The founder later on turned Campbell stock into a set of trusts reserved for his children, while the trustees turned the soup company into proper managerial enterprise by letting the family members enjoyed ample incomes over the ensuing 50 years (Scranton, 1991). In this study, the way tacit knowledge is transformed to codified form and sustained through family firms will be assessed. Entrepreneurship, tacit knowledge and organizational change and development will be discussed in this chapter to show how antecedents of this innovation capacity will influence the enterprise’s development and its outcomes across generations.

## **2.4 Tacit Knowledge to Codified Knowledge**

Previous researcher argues that tacit knowledge transformation hardly codified due to the truthfulness of origin ideas. Previous studies contend that tacit knowledge management should implied though not plainly rather than stated it clearly or formulated in family

enterprise since family relationships has been built and embedded long time in family business (Glisby and Holden, 2003). Importantly too, a major obstacle to innovation in family enterprises is information sharing and the family members usually not believe in outsiders particularly when comes to professional management. Indeed, all knowledge may be existed in the marketplace- even knowledge will remain tacit in the west due to its interpersonal characteristic.

In general, there are many ways to enhance innovativeness among family enterprises, from export capabilities to foreign direct investments. Venture cooperation and mergers are clearly seen in promoting organizational capabilities when the family enterprises begin to internationalize their operations to increase their brand reputation in the international market. In principle, knowledge sharing normally takes times that would create codified knowledge from the existing tacit knowledge since family enterprises prefer not to publicize tacit knowledge. However, closer the interpersonal relationship between peoples, transformation of knowledge from tacit to codified form is more efficient (Hutchings and Michailova, 2003).

Japanese researchers have developed a knowledge matrix that suggests that rotation helps organization members to ensure the longevity of family enterprises, by allowing them to know a different dimension of organizational identities, a process which makes organizational has the capacity to think logically, solve problems in novel situations and therefore better for fostering innovativeness (Nonaka, 1995). In the context of multi-generation family enterprises, the founders traditionally would have 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, following a generational change, focus more on equal and professional leadership, 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 intentions defined as a temporary psychological state towards the formulation of new business concepts. A substantial literature has appeared recently that focuses on interpersonal characteristic (Gartner, 1988; Shaver and Scott, 1991; Yosuf et al. 2007), 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 trait. The studies determine whether entrepreneurial intentions have the capacity to transform from tacit knowledge to codified forms. Huang et al. (2010) found that social capital influenced relationships that informed this orientation that in turn had a bearing on knowledge development in an organizational setup. Similarly, in family enterprises, studies claim that members on the board exhibit some values and characteristics based on their long-term family relationship (Tagiuri and Davis, 1996). These characteristics will benefit the family enterprise during generational change in family businesses. The strategy adopted in family enterprise following a generational shift, though key features of the enterprise are reinforced (Ogbonna and Harris, 2000).

In Spain, for example, the research indicates that family enterprises have a better market orientation, which implies both a specific marketing know-how that is transmitted across generations and a higher degree of connection to the clients that is continued and accumulated over different generations (DGPYME, 2003).

A similar situation can be found in Sweden's Ikea, an unlisted family business and a multi-national international furniture manufacturer and international retailer of furniture and household goods. This firm has a reputation for innovation in the area of 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 indications could be found to suggest a loss of confidence in capital markets because of Kamprad, the founder of Ikea's strategy adoption. Encouragingly, though, Ikea is demonstrating it can also be at the forefront of global change. The Kamprad family argued that the basic or inherent features from family-owned businesses, which are more focused on progression toward a more advance state, have solid interpersonal relationships from time to time. This tends to encourage them to new technologies adaption, new ventures and new ideas differently (Brian and Mary, 1999).

## **2.6 Organizational Change and Development**

The definition of family business may vary internationally in terms of transformation, and the changes of family ownership may perform different characteristics that boost up the capabilities in specific societies (Church, 1993). All companies, including family

enterprises, can be divided according to the level of clarity or transparency. More clarity to perform in the companies will experience higher intention towards innovativeness. Indeed, innovativeness will foster the companies more clarity (Radyghin, 1999). Such issues, though not the specific focus of this thesis, have a bearing on the mode of organizational change, particularly following a generational shift.

Organizational change and development may affect management style. A more progressive form of organizational change entails one that can help attract new employees, has a proclivity to invest in new technologies, a consistent attempt to introduce new planning systems, and a practice of introducing new controls and performance systems to overcome the problems of old traditions that make the family enterprise weak (Davis, 1983). Davis (1983) note that the development of family business may be tied in two divergent perspectives. The first involves the effect of social and economic external forces on family enterprises. With this focus on external forces, it is possible to describe when and how the 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 arises as a firm matures.

Those models focus on organizational life cycles. As a family business matures, this leads to a merger of the adaptation and renovation challenges, one 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 to be always

fostering the idea with the firm of the need to change (Heifetz, 1999). The most important lesson to be learned is the need to combine strategic revolutions with leadership changes, and the 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 FDI.

In Malaysia, the Kuok group is reputed to be way ahead of other Malaysian family firms in adapting to a changing world, including by extending its scale and scope of doing business, emerging as a well-diversified, entrepreneurial multi-national enterprise (Gomez, 1999). Kuok's group pursued new businesses and trading opportunities on complementary and related activities for growth, especially in commodities 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 VitaGain health drinks (second generation) and wireless network infrastructure (third generation). CKI has shown the capacity to change the primary focus of its business when a new generation took over, primarily to sustain the family enterprise.

## **2.7 Enterprise Development in the Family Business**

Family businesses have utilized with its basic or inherent features for the proper ways of innovation management (Craig and Moores, 2006). Studies on innovation generally focus

on large-scale enterprises, primarily because they are, in the course of their existence, 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 aggressiveness in marketing techniques (Lansberg, 1991). The strategic orientation of a family is what, however, is reputed to have a great impact on innovation within the enterprise and its success 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, a core feature of strategic orientation to ensure business success and survival (Ward, 1998). Feedback from family enterprises to their suppliers and to these firms from their customers is increased and sped up when there is a stress on the internal functioning of the company. These links of acquaintance and trust are of obvious importance in R&D-type projects, aimed at developing new products or production methods which constitute the base for new innovations.

Zeitlin (2003) makes the important point that the level of employment of technology, an imperative issue when pursuing economies of scale and scope, is a reflection of entrepreneurial action one 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 the characters of standardized production (Scranton, 1997). A firm would then owe its strength to technical competence in order to enforce higher sensitivity to

market change. At this stage, innovation is not a sudden change but a steady step with small adjustments involved in business development from small scale to large scale (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 rise of companies in this region during the second half of the last century. However, the form of enterprise development of private companies have not focused, particularly family enterprises that are said to improve innovation capabilities. The inadequacy of the tools of analysis provided by the developmental state school literature to assess the performance of these companies was patently obvious following the East Asian currency crisis of 1997 (Chang, 2006). Subsequently, there was a call for business researchers adopting a developmental state perspective to apply the concepts of organization synthesis, historiography research in business, particularly on the work of Chandler (see Gomez, 2007). As Gomez (2007) notes, there are lack of concern to consider Chandler’s work among academics studying the rise of Asian firms.

There is merit to Gomez’s (2007) contention that understanding of evolution and enterprise development in East Asia, specifically Malaysia. Therefore, he comes up the idea to compare family firms in Britain and Malaysia in terms of generational change and identity formation leads to enterprise development in his research. The uniqueness of the East

Asian development state economies was resolute by a government authority with focus on education investment to keep pace with global knowledge employment (Woo-Cumings, 1999).

Such concepts are not found in the literature by Chandler (1977; 1990; 1997). In his *The Visible Hand: The Managerial Revolution in American Business* (Chandler, 1962), Chandler utilized the concept of “administrative coordination” to indicate the growing professional development capabilities to move away from dysfunctional institutions and ill-conceived regulations that hindered the new market development towards sustainable development. Here, Chandler noted how as managerial hierarchies have been implemented in the organization, professional control structures became separate in terms of ownership control. The issue of business ownership and control traits pointed out in the Chandlerian literature is fundamental crucial, a concept also found in other theoretical literature on enterprise development. Moreover, Berle and Means (1967) contend that the mode of ownership and control of a firm relate to sustainable development in the long term.

Beside, Chandler disclosed that the development of modernize enterprise based on industry specification was not purposely refer to company philosophy management and access to cash or liquid assets, but to its capabilities to improve the technology for large scale production in bulk and targeted new distribution channels. To achieve both visions, managers had to consider, at an enterprises’ organizational structure, to promote openness innovative ideas and increase brand reputation for their current products. The economic developments not only rely on its resources utilization, employment or accesses to capital, but on its new technologies formation in the organizations (Chandler, 1977). Moreover,

business history researchers are paid more attention to organizational capabilities and managerial coordination as articulated by Chandler, including in studies undertaken in Malaysia (see Yacob, 1995).

By 1970 a paradigm shift in American history on organizational behaviour that promoted “organizational synthesis” with much of its continued vitality, and involved organization building in both public and private with the creation of new and elaborate networks (Galambos, 1970). However, it is important to note that when foreign firms enter a market they provide a new element of competition, which can have a detrimental impact on family firms, particularly in the manufacturing sector because of the competitive advantages the former possess. Foreign firms can also increase concentration levels to enhance knowledge transfer between them and domestic firms, including SMEs or family firms (Colli and Rose, 2003).

Recent studies have explored the interaction between personal experience and business “strategy” , the power of critical incidents, both “private” and “business”, as well as learning experiences and the impact of business-related learning events on personal development. More recently, motivated by the goal of understanding enterprise development in industrialized and rapidly industrializing countries, including in family enterprises, have intention to consider on contemporary venture creations (Thornton 1999; Aldrich 1999; Gartner et al., 2005). Therefore, the study of historiography on entrepreneurial played a vital role to better understanding of long term shift 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 the studies have focused on large-scale enterprises. There has been very little research on family-owned SMEs, including those operating informally in the economy. There is a major reason for this anomaly in the literature on family-based SMEs in Malaysia.

The government's subscription to policies under the developmental state model, particularly during the more than two decade-long premiership of Mahathir Mohamad (Malaysia 4<sup>th</sup> prime minister), from 1981 till 2003, 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 disbursed. The zaibatsu system would evolve into the keiretsu mode of corporate holding after World War II (Morek and Masao, 2003) with its emphasis on the close links between the financial and industrial sectors to advance industrialization. Mahathir had 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, however, been important studies about the large firms in Malaysia before the appointment of Mahathir, former Malaysia Prime Minister. These studies include those by Lim (1981), Tan (1982), Sieh (1982). These studies drew attention to extensive interlocking ownership and directorships patterns among large firms which led to significant concentration, 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, all family-owned, though this is not his primary focus (Gomez, 1999). Gomez also conducted a comparative study of small and medium-sized Chinese family enterprises in United Kingdom (UK) and Malaysia through an analysis of the available data from UK companies house (Gomez, 2007). Gomez found that most family SMEs owners in Malaysia preferred that their heirs became professionals, a factor that had hindered the development of these firms as major enterprises through an active investment in R&D (Gomez, 2004). There were specific reasons for this lack of desire by family SMEs to develop their enterprises. One core issue was this was seen as 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. The study of this link by Malaysian family businesses to foreign firms is still an embryonic stage (Rahman, 2006). Other issues of importance, specifically for this study, include the fact that after Indonesia and Thailand, Malaysia has ranked the third highest extent of market control of the largest firms in the industry (Claessens et al., 2000). In the 2009, list of the 40 richest Malaysians, a number of them were categorized as owners of family enterprises (Singh, 2008). However, the growing occurrence of a generational change in family enterprises has brought about evolution in the family business system, a point also 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 studies report on family business briefly discussed issues related to family firms in Malaysia (Jasani, 2002). This study only provides a quick review of family enterprise's current characteristic descriptively without analyzing the impact of leadership when the next generation take over the business, though it notes the growing demise of the founders. What is of importance in this study is its contention that when the next generation takes over the family enterprise, issues such as innovation capacity became 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 was one of the first companies in Malaysia incorporated professional managers in his family enterprise during 1940s and 1950s. Today although family members still sit on the board, a largely professional team runs the OCBC Bank with little influence by 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 manufacturing sector in Malaysia, knowledge about this issue is modest.

Previous findings have revealed that foreign-owned enterprises have a higher median score of R&D as compared with domestic firms particularly family SMEs in Malaysia; inevitably, their generation of innovation is low. In addition to the active conduct of R&D, most foreign-owned firms provided training for their employees. This signifies that a lack of innovation can be explained by the fact that most family SMEs in the manufacturing sector acquired knowledge solely by adapting and adopting foreign technology in Malaysia (Rasiah, 2004). Such SMEs did not emphasize developing a well-trained cohort of employees and managers, nor was there much stress on machine and technology upgrading and product innovation to (Shapira et al, 2006).

Previous studies have also argued that FDI through MNCs have fostered economic development in the manufacturing sector, specially by promoting export capacities in cutting edge technology such as micro electronics, semiconductor and biotechnology in Malaysia. 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 in industry-linked cooperation or partnership, skills mismatch with MNCs technology, lack of R&D capabilities in 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 scale-up the technology ladder. While there is evidence this has been occurring among family firms, there has been no detailed study of this issue. In order for family businesses to develop entrepreneurial capacity, they need to inculcate certain practices and maintain a good balance between family and business matters namely objective-setting, involving the 3Ms and innovation, though this occurs best when they associate themselves in production ties with MNCs. This study will focus on these aspects MNC-SME ties in an assessment of family firms in the manufacturing sector.

## **CHAPTER 3**

### **Methodology**

#### **3.1 Part I: Conceptual Framework**

##### **3.1.1 Introduction**

Building on the 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 family enterprises in Malaysia that shape the form of enterprise development. Despite the increase in 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 in this study, the conceptual framework would help to determine the factors that trigger significant changes in family enterprises following the emergence of a new generation.

### **3.1.2 Conceptual Framework**

Previous findings argue that a conceptual framework involving an analysis of family firms needs to integrate conceptual tools from other disciplines and theories (Leonidou and Katsikeas, 1998). Previous research indicates that organizational characteristics of family history and profile such as age and education, objective setting (Davis and Harveston, 2000), organizational structure 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 after the founder relinquishes control to the next generation. These factors are seen to have contributed to positive or negative outcomes on a family enterprise as they have a bearing on 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 brand products and create niche markets (Kelly et al., 2000; Morck and Yeung, 2003). Figure 3.1 indicates this combination of ideas from different bodies of literature to trace and assess the study link between family enterprise, strategic management and enterprise development that shape how a family firm evolves.

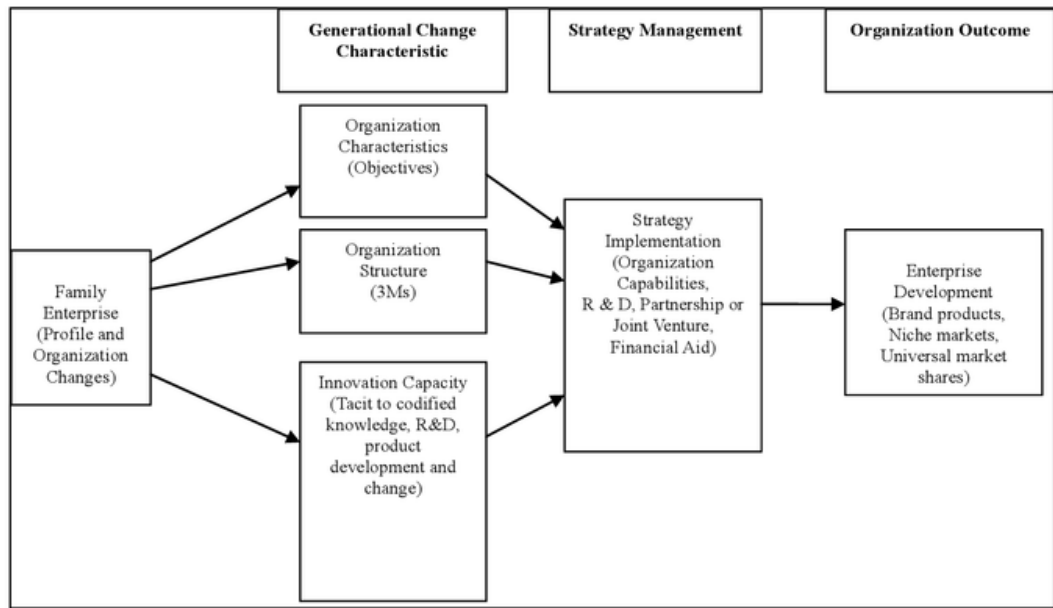


Figure 3.1: Conceptual Framework of Family Enterprise, Generational Change and Enterprise Development

### 3.1.3 Profile and Organizational Changes

A careful reading of the abundant literature on family firms, particularly the case studies, would draw attention to the enormous influence of how changes in an organization about its objectives, and enhanced employment of the 3Ms (Chandler 1997; Chandler et al., 1999) and a focus of 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 the 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 mainly depends on organization capabilities, quality management and adaption of resource utilization to shape organization outcome (Habbershon and Williams, 1999; Sirmon and Hitt, 2003). The second stream focuses on R&D and technology upgrading that influence innovation intension (e.g. Napolitano, 1991; Leblanc et al., 1997). The third stream argues whether family enterprises are starting to recognize and capitalize on global opportunities through partnerships, joint-ventures and financial support, key factors, if well implemented that could lead to a development of the enterprise (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 family enterprise (objectives, 3Ms and innovation capacity) leading to different strategic management techniques leading to 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 a bearing on the form of enterprise development. This is partly because enterprise development processes could 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 to further examine the uniqueness of the family structure in the business organization to achieve enterprise development. Family business researchers point out that this uniqueness, the heritage authenticity of family business and family objectives always as core competencies towards longevity (Ward, 1987, 1999, 2008; Corbetta, 1999; Aronoff

and Ward, 2001). They are promoting a sustainable competitive advantage that other companies hardly to imitate due to the uniqueness essence and precisely defined objectives and values. 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 were stimulated by new waves of technological innovation in the industrial sector that have spread to chemicals, electronic production, transportation and logistics, oil and gas, metals technology, as well as food and beverages sector categorized as capital-intensive industries (Chandler et al., 1999). This mode of growth, through an emphasized on innovation linking supply chain management affected an organizational change and development. The growing specialization of roles within each component of the firm, i.e. administration, production, distribution, etc., led to management structures that soon came to be crowded by salaried low, middle, and top managers who were more and more autonomous from the founder's family (Chandler, 1997).

The paradigm shift from the families capitalism to financial capitalism occurred as the development of the family firms demanded more investment and financial strengths, where bankers and other financiers shared top management decisions (Chandler, 1997). In the end, the transformation from family enterprises to industrial enterprises will distribute and

allocated their resources with matched strategies as the rise of modern enterprises achieved. With the rise of the modern enterprises, the transformation of the industrial enterprise will bring changes in a nation's competitive advantage triggered the birth of some *first movers* in national and international marketplace (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 being a system, policy, a product and service that adopted from human daily life, idea or behaviour will enhance organization capabilities from time to time (Daft, 1982; Damanpour, 1991). Innovation capacity defined as capacity or capabilities to engage innovation with new processes or managerial skills in the organization as time goes by (Damanpour, 1991; Hult et al., 2004).

Successful innovation always starts with organization capabilities that perceived usefulness of being innovative and strategic change even in the family enterprise (Burns and Stalker, 1961). There is an importance factors that influence the development of a firm. These factors include managing cross functional teams, top down relationship and leadership, customer relationship management, processes and skills upgrading and talent management and business networking, including nurturing sub-contract ties, are seen as antecedents of

innovation capacity. However, majority of family enterprises is seldom catalyzing the bright future in raising aspirations to explore innovation capacity from the family characteristics. Additionally, the culture of family businesses may restraint entrepreneurial dynamics lead to the innovation capacity since knowledge and expertise inherently present within the family business areas (Zahra et al., 2006). The innovation capacity and strategy are all linked and explore innovation capacity towards 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 towards longevity across generations is important to be discussed in the family business literature. Indeed, the literature indicates that family members always hope to pass leadership role and ownership control to their next generations rather than adjust their lifetime plan to consume their wealth (Zahra, 2005; Kim et al., 2008; Chang et al., 2010). Manage capital effectively would helped to enforce business sustainability for future generations (Habbershon and Williams, 1999; Lim et al., 2010), whereby these businesses are expected to achieve long term sustainability include 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). A good investment of innovation strategies such as openness ideas and communication without rigid thinking, autonomy given to make decision making and family involvement are

crucial in family enterprises to promote organization flexibility towards innovativeness (Craig and Dibrell, 2006). In essence, they may think different forms of strategy implementation to achieve organizational outcomes that foster the long term development of an enterprise as family firms tend to be more long-term oriented on competitive advantage (Salvato and Moores, 2010),

In the Chandlerian perspective, emphasize on transitions in ownership and control influence the growth and development of a company (Penrose 1980). Briefly, they are 3 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 a self ownership of family enterprise (Step 2), is quite take times about several years after the establishment of a company. The transition from Step 2 to managerial control (Step 3), occur generational change across over second and third generation (Chandler, 1977; Penrose, 1980). Chandler's *The Visible Hand*, which reviews the changes and development from a family self ownership enterprise to a professionally run enterprises. This study indicates persuasively that the growth and development of modernize industry depends on its capabilities to enhance technology upgrading or value added production in R&D expenditure to expand distribution channel from local as well as international marketplace. Therefore, manager need to develop organization structure by introducing new set of innovative processes or new product development to suit with economic changes in internal as well as external market towards organization outcome (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 the 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 good research methods that are most appropriate for answering the research issues at hand (Morse and Richards, 2002). Articles showed accumulated experience from the previous research practice will enhance knowledge codified and learning capabilities to link idea contribution between old and new researchers in the area of research (Pettigrew, 1990; Suddaby, 2006). It is vital that family business researchers frequently share the research own methodology as well as their accumulated research experiences (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 on as well as builds existing theories. In-depth research is considered match and 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 for the influence of extraneous variables and to help define the boundaries for generalizing from the research findings, a process that is important as 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). For this study, even though the issue of time constraints was a factor, a larger sample of 17 companies in food manufacturing was assessed, categorized as small, medium and large enterprises. These 17 firms are second, third and fourth generation family enterprises.

Although much qualitative research methodology appeared on family business before, hardly any work has been of such enterprises in Malaysia, in spite of their huge presence in the economy and their capacity to shape the development of this developing economy. That is not surprise lack of significant data in family business research. Few research academics, family business authorities and business association regard family businesses as distinct entities that require careful analysis.

However, several researches of firm performance and ownership structure have been discussed and conducted in Malaysia. These studies show that highly concentration of ownership control in many public listed firms in Malaysia have been inherited by their heirs who have introduced and implemented new form of development strategy (Rahman, 2006). Another study examined ownership concentration based on the top 100 Malaysian listed firms. The findings indicate that the maximum ownership concentration stated is 90 per cent while the lowest ownership concentration is 6.0 per cent. Therefore, the concentration of ownership and control for the public listed firms is considered high in Malaysia (Rahman, 2006). Another study focused on the Malaysia's 40 most wealthy enterprises and most of these were family-owned. The results indicated that most of this large-scale family SMEs had utilized the resources effectively by venturing into different industries and businesses from one generation to another (Singh, 2008). Another paper highlighted that Malaysia 40 most wealthy family firms were getting to be more prominent regionally over time (Ibrahim and Samad, 2010).

Difficulty in describing exactly of family businesses is another reason why they are more qualitative research without been undertaken, including case studies (Handler, 1989). Precise information about family business is not readily available given the uniqueness nature of most family business. There are no standard of definition to initiate a family business, even if all applicable information were made available. As a result, research based on their generality and business contribution is hard if without an accurate definition differentiate family-owned businesses. Table 3 shows the selected family business studies using 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
<b>McCollom (1992)</b> <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.
<b>Cole (1997)</b> <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.
<b>Johannisson and Huse (2000)</b> <i>Entrepreneurship &amp; 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.
<b>Hall et al. (2001)</b> <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.
<b>Ram (2001)</b> <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
<b>Fletcher (2002)</b> <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.
<b>Ainsworth and Wolfram Cox (2003)</b> <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.

<b>Hall et al. (2006)</b> <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.
<b>Hamilton (2006)</b> <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.
<b>Steier (2007)</b> <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.
<b>Nordqvist and Melin (2008)</b> <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.
<b>Hall and Nordqvist (2008)</b> <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).

### 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 are focused 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 defining, differentiate or measurement.

For this study, numerous mechanisms were deployed to obtain information about 17 family firms in food manufacturing was selected for assessment. Interviews were held with members of the new generation who were managing these 17 family firms. A similar review was undertaken of 11 firms in the plastic products sector, where in-depth information was obtained of these enterprises. Since all these firms are registered as companies, they are required by law to annually submit a report to the government's Companies Commission. This report has to provide a breakdown of the volume of equity held by each shareholder, a list of the directors and senior managers, the annual turnover, major changes in terms of acquisition or sale of subsidiaries and associate companies, incorporation of new subsidiaries, etc.

An in-depth search was undertaken at the Companies Commission to develop a historical profile of each of these 17 companies in food manufacturing – the archives of this regulatory body has the files of all annual reports from the time of the incorporation of the firm. After an analysis of these files and the corporate history of the 17 firms were drawn up. A similar analysis was done of 11 family firms involved in plastic products manufacturing.

From the case studies, profile analyses about family history, milestone and the 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 objective setting, organizational changes in 3Ms and innovation across generations, crucial issues to identify and keep track of strategy implementation and organizational outcome.

### **3.2.3 Sampling Method and Size**

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

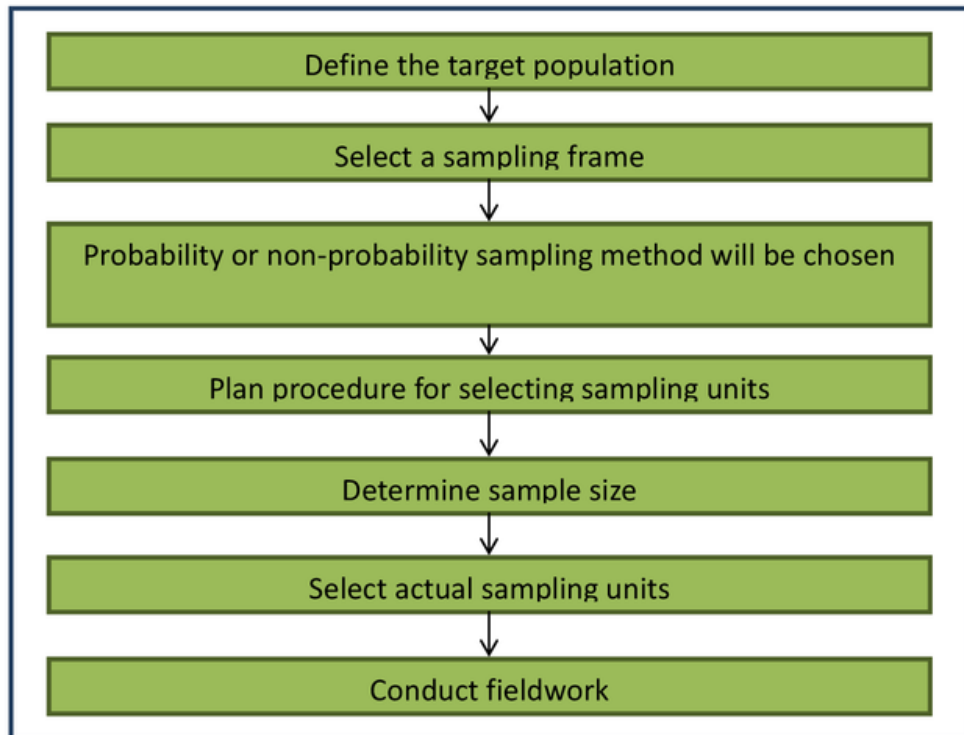


Figure 3.2: Sampling Method and Size

As mentioned, for this study, a total of 17 case interviews in food manufacturing were conducted, with an 80 per cent response rate from family CEOs, primarily members of the second generation. In total, 107 completed sets of questionnaires, submitted to family members and working staff from a total number of 17 enterprises in the food manufacturing sectors, were used for analysis. Five cases were discarded from the study since the family members refused to go through in-depth interviews. Consistent with the research procedures for qualitative analysis, family enterprises selected had to be started at least one family business owner on the board. The selection process resulted in a range of generational enterprises being selected (2nd, 3<sup>rd</sup> and 3rd+ generations), to facilitate the examination of the influence of innovation capacity on enterprise development. The

research on family business in plastic products manufacturing was done in a similar manner. Tables 3.2 and 3.3 shows the sampling research area and reasons for choosing food production firms.

The reason for choosing to focus on food manufacturers in the study of family businesses is that firms in this industry were able to retain as well as develop their tacit knowledge to a very significant degree, 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 upgrading skill or technology that produced new products to the market, an indicator of the implementation of better value added production towards innovativeness. It is important to understand how tacit knowledge is well transformed as this contributes to value creation in the value chain.

What is evident is that more well-educated family members from one generation to the next better develop and disseminate 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 food manufacturing. In the food processing sector, different generations in these family firms implement different strategies by trying hard to transform traditional tacit knowledge to create new food products or acquire knowledge to innovate to improve the quality of their products so that they look different from one generation to the next.

The empirical investigation is based on not a single but a multiple case design format

consisting of seventeen case studies for food production. The case studies were chosen based on the following criteria:

1. The family business had 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. Established a solid track record up to 2010, with a strong reputation or recognition in the domestic market and able to see the evolution changes in terms of organizational structure, 3Ms and innovation milestones across generations.
3. Strong financial capabilities from annual sales, net profits, potential for growth, and not likely to be wound up in the next future.
4. Nature of business with products manufactured 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 and focus on enterprise development aligned with public policy.
5. Availability and willingness to consent to a focused in-depth interview. Often family businesses are suspicious of the aims of such research, and the family business decision-makers are 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 Reason for Choosing Food Manufacturing Firms

Family Enterprise	Nature of Business	Location Area	Recognitions	Reason to choose
1. Eu Yan Sang	Traditional Chinese Herbs, Medicine and Clinics	Pudu Shaw Parade, Kuala Lumpur State	<ul style="list-style-type: none"> <li>The Brand Icon Leadership Awards 2011 for Dato' Anne Eu, Malaysia CEO for Eu Yan Sang group</li> </ul>	<ul style="list-style-type: none"> <li>3rd Generation family business.</li> <li>Father, son and daughter leadership role clearly seen and assigned in Singapore, Hong Kong &amp; Malaysia.</li> <li>Able to see the evolution changes from traditional shop to retailing and manufacturing -to TCM Clinic indicating development of tacit knowledge.</li> </ul>
2. Khong Guan	Cream Filled Biscuits and Biscuit Waffer	Senai Industrial Estate, Johor State	<ul style="list-style-type: none"> <li>Monde Selection International Accolade Best Quality Biscuits 2004</li> </ul>	<ul style="list-style-type: none"> <li>3rd Generation family business.</li> <li>Father and son leadership role clearly seen.</li> <li>Able to see the evolution from traditional biscuit maker to production for international market.</li> </ul>
3. London Biscuit	Snack Food, Cake Roll and Candies Manufacturer	Desa Cemerlang Industrial Estate Ulu Tiram, Johor State	<ul style="list-style-type: none"> <li>MITI Product Industry Excellence Award 2004.</li> </ul>	<ul style="list-style-type: none"> <li>2nd Generation family business.</li> <li>Husband, wife and their children's leadership roles are clearly seen.</li> <li>Able to see the evolution from family business to snack food to London Biscuit group.</li> </ul>
4. Tatawa Biscuits	Chocolate Filled Biscuits and Mooncakes Manufacturer	Bukit Pasir Industrial Estate, Johor State	<ul style="list-style-type: none"> <li>Enterprise 50 Award 2001, 2004, 2006</li> <li>Export Excellence Award 2004</li> <li>Golden Bull Award 2004</li> </ul>	<ul style="list-style-type: none"> <li>2nd Generation family business.</li> <li>Uncle, Nephew and Niece leadership role clearly seen.</li> <li>Able to see the evolution from Chinese traditional biscuit making-to Tatawa biscuit follow export destination-Tianje Mooncake.</li> </ul>
5. King's Confectionery	Bakeris and Confectioneries Manufacturer	Taman Kepong Industrial Estate, Kuala Lumpur State	<ul style="list-style-type: none"> <li>Malaysia Largest Retail Confectionery Chain in Malaysia Nearly 90 outlets in Malaysia</li> </ul>	<ul style="list-style-type: none"> <li>2nd Generation family business.</li> <li>Sister and brother leadership role are clearly seen.</li> <li>Able to see the evolution from hawker centre to outlet retailing -to café franchising.</li> </ul>
6. Laksamana Usaha	Noodles and Malaysia Food Delights manufacturing	Taman Bukit Maluri Industrial Estate, Kuala Lumpur State	<ul style="list-style-type: none"> <li>Sirim Approved Laksamana Usaha Noodle Products are the Cleanest Mee in Malaysia 2010</li> </ul>	<ul style="list-style-type: none"> <li>2nd Generation family business.</li> <li>Father, son and daughter leadership role clearly seen.</li> <li>Able to see the evolution changes from home based business to manufacturing-to push into global arena.</li> </ul>
7. TPC Plus	Poultry Farming and Pioneer Egg Producers	Alor Gajah, Kuala Lumpur State	<ul style="list-style-type: none"> <li>McDonald's Appointed Supplier of Fresh Farm Eggs</li> <li>HACPP in 2006 and ISO 9001 in 2008</li> </ul>	<ul style="list-style-type: none"> <li>2nd Generation family business.</li> <li>3 Brothers leadership role in 2 family partnerships clearly seen.</li> <li>Able to see the evolution changes from chicken farming to poultry farming - to food biotechnology.</li> </ul>
8. Vit Makanan	Instant Noodles Manufacturer With Vit's Trademark	Rawang Intergration Industrial Estate, Selangor State	<ul style="list-style-type: none"> <li>Good Manufacturing Practice (GMP)</li> <li>HACCP Certification</li> </ul>	<ul style="list-style-type: none"> <li>2nd Generation family business.</li> <li>Father and son leadership role clearly seen.</li> <li>Able to see the evolution changes from food trader to Vit's instant noodles-to UK Tesco Stores, Halal food.</li> </ul>
9. Besfomec	Traditional Essence Drinks and Herbs	Alor Gajah Industrial Estate, Melaka State	<ul style="list-style-type: none"> <li>Good Manufacturing Practice (GMP)</li> <li>HACCP Certification</li> </ul>	<ul style="list-style-type: none"> <li>3rd Generation family business.</li> <li>Father and son leadership role clearly seen.</li> <li>Able to see the evolution changes from herbal products to Besfomec essence of products-to nutrition supplement medicine.</li> </ul>

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

Notes on abbreviations:

**HACCP** - Hazard analysis and critical control points

**KLT** - Kam Lun Tai

**MITI** - Ministry of International Trade and Industry

**MNC** - Multinational Companies

**R&D** - Research and Development

**SMEs** - Small and Medium Enterprises

**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 for example diversity and size, as indicated in Tables 3.3 and 3.4, determine how many people – and who – were selected for interview. 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, one of the most common sampling strategies in family business research, groups participants 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 home in on events where 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 out the wide variety in development styles, possibly even to focus on extreme cases that determined the direction of the enterprise, 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 that conventional probability sampling cannot be.

Quota sampling, sometimes considered a type of purposive sampling, was also employed here. While designing this study, there was an attempt to determine how many people within firms that had undergone a generational shift to include as participants. Generational change characteristics considered important during the selection process included profile

and organizational changes in terms of machine used, number of employees and professional managers, sales turnover and development of new products start. Other generational change characteristics considered important included differences in objectives, introduction of 3Ms and innovation capacity which had contributed to the development of the enterprise. The criteria used for this study allowed for a focus on people (family business owners) who would have been most likely to understand, experience, or in-depth into the research.

### **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 firm, its organizational structure, a historical analysis of innovation capacity and other factors that influenced the 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 company annual records. This study ensured that all the 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 had shown great potential to sustain development, as well as create new products.

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

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

The number and type of managers interviewed varied from one enterprise to another, largely because the organization 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 using the longitudinal case study approach such as history data 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 the 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, when carrying out research on family enterprises, researchers should adopt case-intensive methodologies in order to understand the behaviours of these enterprises. This is particularly important when studying sensitive issues such as those that occur during a generational change (Litz, 1997).

The reason for choosing companies in the food sectors for case study was in order to provide insights into the proposed hypotheses. This was also to help examine what the size matters i.e. small, medium and large scale enterprises in second and third generation family companies. Since the new economy offers competitive advantages for created firms with traditional production than other family enterprises who explored new technology, how subsequent generations after the founder integrates new technology, new processes and new knowledge involving the 3Ms to create robust competitive advantages for their businesses is extremely insightful. Many family firms rely on the next generation particularly in the second or third generation, to provide new expertise by promoting the 3Ms. A comparison between the large, medium and small scale family SMEs in the food manufacturing to achieve productive development of tacit knowledge from one generation to another to ensure enterprise development would provide insights at these issues. 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 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
<b>Primary *</b>	44.3	33.9	28.1	20.5	15.50	15.4
<b>Secondary**</b>	18.3	24.9	30.0	36.5	40.6	29.9
<b>Tertiary</b>	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 contribution of the primary sector (agriculture and mining) to GDP sharply shrank from 44.3 per cent in 1970 to 20.5 per cent in 1995 and declined further to 15.4 per cent 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 per cent in 1970 to 36.5 per cent in 1995, an increase of 18.2 percentage points. It increased further to 40.6 per cent in 2000. The tertiary sector also expanded, though more slowly than the secondary sector, from 37.4 per cent in 1970 to 43.0 per cent in 1995, and tremendously expanded to 57.6 per cent 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 the 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, local industry was largely confined to processing raw materials for export and producing certain items for local consumption (Jomo and Edward, 1993).

Development of 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 the demand for cement and large-scale wood processing. FDI 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 the 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 largely in a protected domestic market to produce goods that had been previously imported. The government pursued an industrial policy aimed at protecting local manufacturing firms and also providing 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 new 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-add. In certain industries, for example textiles, petroleum products, metals and electrical goods, metals and electrical goods, the proportion was three quarters or more (Drabble, 2000). This led most 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 as 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 in force. Free Trade Zones (FTZs) and Licensed Manufacturing Warehouses (LMWs) were established to facilitate and encourage Malaysia manufacturing production for export using imported equipment and materials based on targeting foreign firms. Existing infrastructure, political stability, a large trainable labour force, a responsive government and financial incentives were important factors leading the foreign firms to relocate 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 FDI 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 to 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 foreign direct investment during the period 1977 to 1980 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 was 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 a minister in charge of industries, announced a heavy industries policy geared to achieving the twin objective of accelerating industrial growth and improving economic condition. 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 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).

Growing the technological capacity of the country required that firms upgraded the technological content of their products and processes. 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 access 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 loss of competitiveness caused by rising production costs arising from tightening labour market and the 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 the steps that would be taken from 2006-2020. This was in line with the 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, to facilitate the development of knowledge intensive technologies and to cultivate dynamism in human resource management (MITI, 2006). Foreign investors continued to find Malaysia's manufacturing sector has capacity to develop, and the country recorded an increment (38%) in approved FDIs 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 at 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 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. The 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 2<sup>8</sup>, 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 per cent consisted of SMEs in rubber and plastics. About 47 per cent 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 per cent of all firms engaged in 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 located in rubber and plastic (31.7 per cent) and food processing (21.1 per cent). More detailed examination reveals that most manufacturing firms reported

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<sup>8</sup> Investment 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.

incremental rather than radical innovation (Table 4.3).

Food processing and rubber and plastic manufacturing showed higher more radical and incremental innovation. Understanding how this manufacturing sector became more competitive using a shorter product cycle in highly concentrated markets and more innovation will fulfil the aim of this study, namely describing family SMEs. Such SMEs are multigenerational firms which have innovated and cultivated knowledge of market trends as well as the 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
<b>Food Processing</b>	<b>24.4</b>	<b>21.1</b>	<b>27.8</b>	<b>202</b>	<b>24.6</b>
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
<b>Rubber and Plastic</b>	<b>22.7</b>	<b>31.7</b>	<b>27.8</b>	<b>213</b>	<b>25.9</b>
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
<b>Incremental Innovation</b>	Product or process improvements in quality or cost	461	42.1
	Upgraded a product line	507	46.3
<b>Radical Innovation</b>	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 engaged in incremental improvement of products and processes. Only slightly more than a quarter of the 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 supplied parts built to predetermined specifications to MNCs, leaving little room for independent innovation. The next generation would innovate tacit knowledge and break into new markets on their own.

#### **4.7 History of Family Firms and Development of Tacit Knowledge in Plastics Manufacturing**

Evolution of family firms in the 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, FDI constituted 50 per cent 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 plastic sector, most of the firms did not retain and develop the tacit knowledge of the founders. Plastics technology rapidly change building on founders' tacit knowledge is difficult. Usually the products

produced are significantly different than the originals. Exceptions are primarily in the PVC industrial products, housewares, broom and brush sector plastic 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 plastic 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 employees<sup>9</sup>. 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 executives<sup>10</sup>. 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.

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<sup>9</sup> SMEs with more than 150 employees were classified as medium and large-scale enterprises.





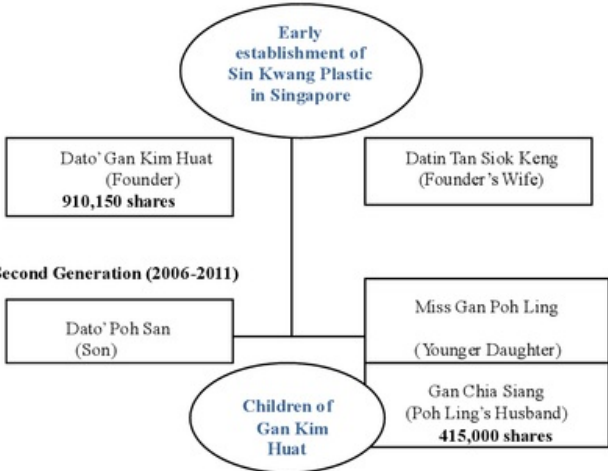
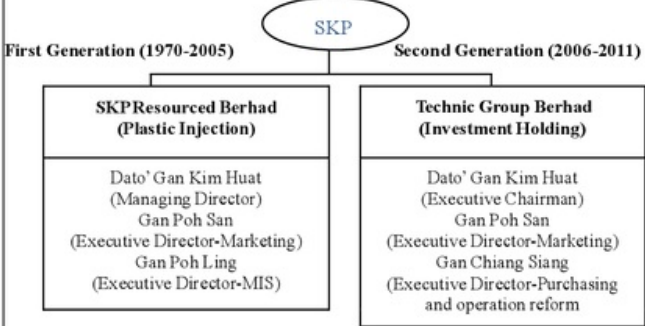
<sup>10</sup> Interviews were conducted with senior management or family members of plastics production firms. Lam Seng mentioned the growth in number of equipment and that it had managed to turn into high technology moulding (interview on 5.8.2011, 6-7pm). Lee Huat mentioned the growth in the number 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).





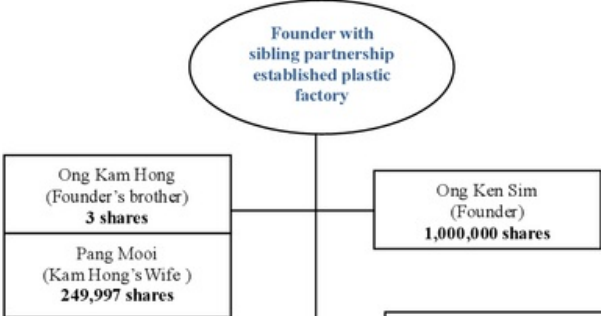
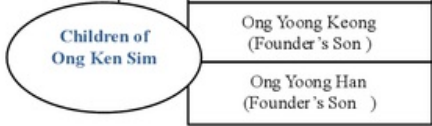
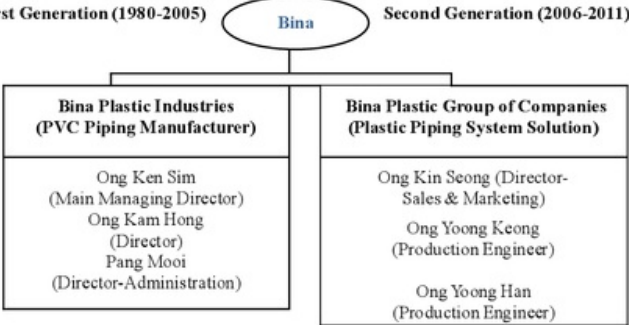
**Table 4.3: Profile and organization changes in family SMEs in food manufacturing across generations**

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 <sup>nd</sup>	10-255	100-2000	3-90	5-50	1-6	7-200	+150
2. Bina Plastic (PVC Pipe)	1980 2 <sup>nd</sup>	8-172	100-500	2-80	3-12	1-2	2-50	+120
3. Guppy Plastic (Aquarium & Plastic Injection)	1970 2 <sup>nd</sup>	5-115	50-700	3-40	5-40	1-5	3-100	+130
4. Chang Huat (Plastic Injection)	1988 2 <sup>nd</sup>	5-86	50-400	2-30	4-40	1-6	4-150	+90
5. Lee Huat (Housewares)	1947 3 <sup>rd</sup>	2-58	20-600	3-20	3-10	1-4	3-80	+110
6. Polynic (Plastic Injection)	1977 2 <sup>nd</sup>	5-55	15-60	3-10	2-8	1-2	2-25	+70
7. Lam Seng (Container & Plastic Injection)	1967 2 <sup>nd</sup>	5-45	20-330	2-10	2-20	1-7	4-110	+90
8. Kemajuan (Carrier Tape)	1973 2 <sup>nd</sup>	2-38	20-110	2-20	3-10	1-3	3-50	+50
9. Yew Lee (Broom & Brush)	1970 2 <sup>nd</sup>	2-18	5- 70	2-10	2-6	1-2	3-20	+80
10. Cemerlang Raya (Broom & Brush)	1987 2 <sup>nd</sup>	1-5	5-100	2-10	2-5	None	3-10	+48
11. Sweetco (PVC Canvas)	1929 3 <sup>rd</sup>	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 4.4: Brief History and Tacit Knowledge Transformation in Plastic Production**

Business Nature	Establishment	Brief History, Family Tree and Family Role in Plastic Production
<p><b>1. SKP Resources</b> (Large Scale Enterprise) (High Precision Plastic Injection) (Plastic Injection)</p> <p><b>Product Manufacturer</b> <b>First Generation (1970-2005)</b></p> <p>Customized household molding producer</p>  <p>Industrial engineering plastic parts and accessories</p>  <p><b>Second Generation (2005-2011)</b></p> <p>Vendor of longest 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 (2<sup>nd</sup> Generation)</p>	<p><b>Brief history</b></p> <ul style="list-style-type: none"> <li>-Started as plastic injection workshop in Singapore in the 1960s.</li> <li>-Mostly received orders to manufacture plastic household products.</li> <li>-Moved from Singapore to Johor and renamed Vital Conglomerate Sdn Bhd (12.12.2000).</li> <li>-Promoted contract manufacturing with local MNCs involved in precision mould making and sub-assembly of electronic and electrical equipments.</li> <li>-Converted to Vital Conglomerate Berhad and then to SKP Resources Berhad (2002) and appointed as longest vendor service to Audio Pioneer Visual (2000).</li> <li>-Assigned Gan Chia Siang, son in law to manage Technic group Berhad.</li> <li>-Granted License Manufacturing Warehouse (LMW) (2006) and involved in AFTA (2008) to grab better business opportunities during the second generation leadership.</li> <li>-Knowledge transferred from workshop experience to MNC contract manufacturer and is sustainable in industry diversification (Automobile &amp; Industrial Packaging).</li> </ul> <p><b>Family Tree</b></p> <p><b>First Generation (1970-2005)</b></p>  <p><b>Family Role in Organization Structure</b></p>  <p><b>First Generation (1970-2005)</b></p> <p><b>SKP Resourced Berhad (Plastic Injection)</b></p> <ul style="list-style-type: none"> <li>Dato' Gan Kim Huat (Managing Director)</li> <li>Gan Poh San (Executive Director-Marketing)</li> <li>Gan Poh Ling (Executive Director-MIS)</li> </ul> <p><b>Second Generation (2006-2011)</b></p> <p><b>Technic Group Berhad (Investment Holding)</b></p> <ul style="list-style-type: none"> <li>Dato' Gan Kim Huat (Executive Chairman)</li> <li>Gan Poh San (Executive Director-Marketing)</li> <li>Gan Chiang Siang (Executive Director-Purchasing and operation reform)</li> </ul>

<p><b>2. Bina Plastic</b> (Medium Scale Enterprise) (Plastic Injection Molding) (PVC Pipe)</p> <p><b>Product Manufacturer</b> <b>First Generation (1980-2005)</b></p> <p>Plastic piping and parts manufacturer for commercial</p>  <p>BBB (Bina approved) PVC Piping distributor with SIRIM certification</p>  <p><b>Second Generation (2006-2011)</b></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 (2<sup>nd</sup> Generation)</p>	<p><b>Brief history</b></p> <ul style="list-style-type: none"> <li>-Started as PVC piping factory warehouse in Malaysia (Selangor) in 1980.</li> <li>-Founder as the first mover to produce the PVC Piping system approved by SIRIM (Standard Institutions of Malaysia) targeted retail shop or construction (1985).</li> <li>-BBB PVC Piping system implemented in water treatment and Bina started to enforce strong business networking with local government (1990-1998).</li> <li>-PVC Piping system has been upgraded to UPVC Piping system (1980), HDPE Polypipe system (1990) and ABS piping system (2000) align with Malaysian standards since PVC Piping has been found to contain some hazardous material.</li> <li>-During the second generation leadership, Ong Yoong Keong and Ong Yoong Han were involved in production R &amp; D to upgrade the piping knowledge to be used in various industries such as telecommunications, electronics, food and beverage.</li> <li>-Knowledge upgraded from PVC piping to Malaysia SIRIM approved plastic piping system and to fit the piping system industry.</li> </ul> <p><b>Family Tree</b> <b>First Generation (1980-2005)</b></p>  <p><b>Second Generation (2006-2011)</b></p>  <p><b>Family Role in Organization Structure</b></p> <p><b>First Generation (1980-2005)</b>      <b>Bina</b>      <b>Second Generation (2006-2011)</b></p> 
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**3. Guppy Plastic**  
(Medium Scale Enterprise)  
(Plastic Injection Molding)  
(Aquarium& Plastic Injection)

**Product Manufacturer**  
**First Generation (1970-2004)**

Plastic aquarium tanks and equipment farm for fish rearing



Plastic household production under Guppy trademark



**Product Manufacturer**  
**First Generation (2005-2011)**

Guppy Penang – Semiconductor and electronic components



Guppy China – Disposable wares for fast food restaurant chains



Guppy US – Pet and medical products for hospital and clinic



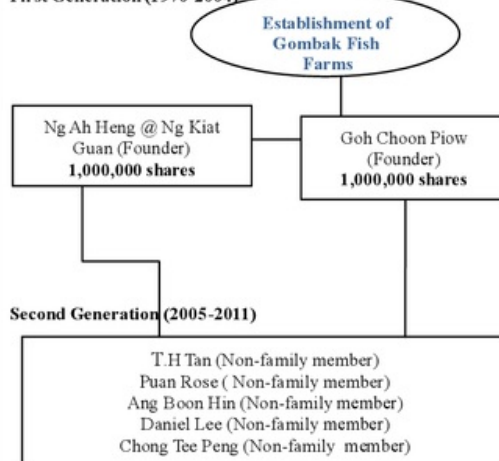
1970-2011  
(2<sup>nd</sup> Generation)

**Brief history**

- 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 aquariums 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

**Family Tree**

**First Generation (1970-2004)**







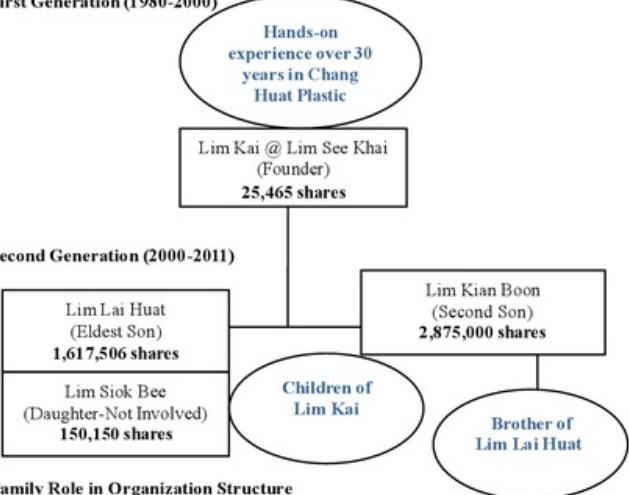
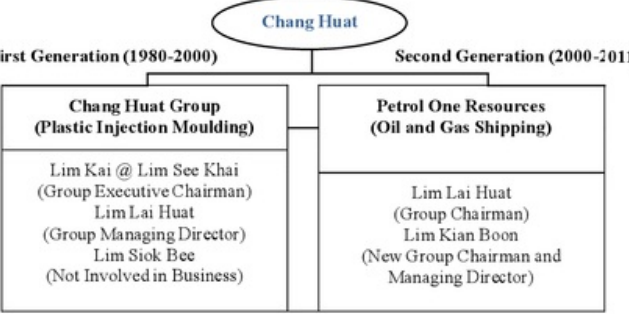
**Family Role in Organization Structure**







**First Generation (1970-2004)**

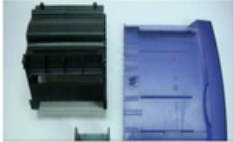



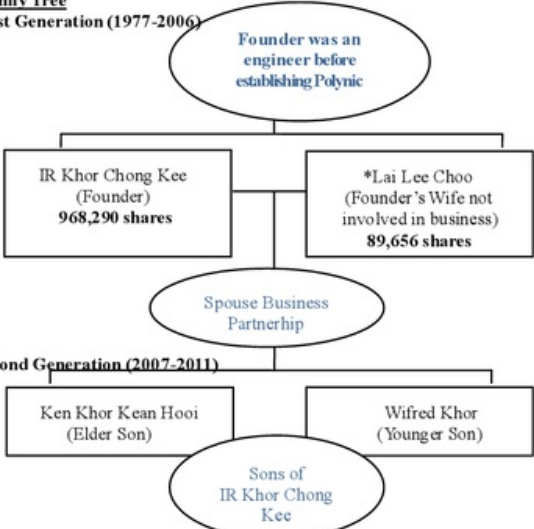
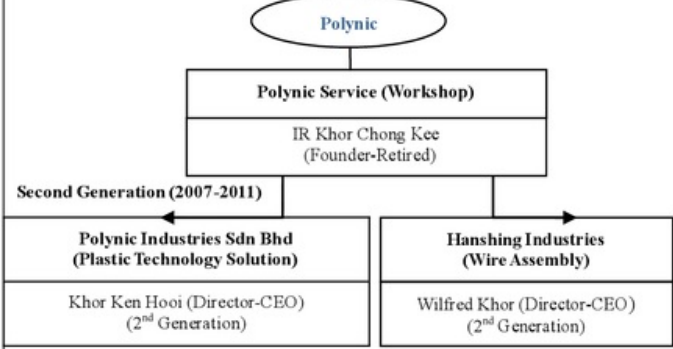


**Second Generation (2005-2011)**

Guppy (Penang)	Guppy (China)	Guppy (US)
(Directors - 2 <sup>nd</sup> 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><b>4. Chang Huat</b> (Large Scale Enterprise) (High Precision Plastic Injection) (Plastic Injection) (Oil and Gas)</p> <p><b>Product Manufacturer</b> <b>First Generation (1980-2000)</b></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><b>Second Generation (2000-2011)</b></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 (2<sup>nd</sup> Generation)</p>	<p><b>Brief history</b></p> <ul style="list-style-type: none"> <li>-Started as hands-on plastic injection training in Malaysia (Johor) in 1980.</li> <li>-Set up Heng Huat Plastic Industries in Singapore (1986).</li> <li>-Chang Huat Group Berhad established (1995).</li> <li>-Setup Chang Huat Industries (Rayong) in Thailand focused on MNCs for orders.</li> <li>-Acquisition 63% of interest in Arus Dermage Sdn Bhd.</li> <li>-Entire interest was disposed to Heng Huat Plastic (S) Pte. Ltd (2008).</li> <li>-Fuel Storage Contract with Coastal Oil Limited Private Limited and Noble Clean Fuels Limited (2009).</li> <li>-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).</li> <li>-Acquisition remained 37% equity interest of Arus Dermage Sdn Bhd in late (2010).</li> <li>-Transformation of its core direction to Oil &amp; Gas and changed to Petrol One Resources from (2011-2012) lead by Lim Kian Boon.</li> <li>-Knowledge learned from plastic injection hand on experience to plastic injection molding expert and sustainable transformation in oil and gas service industry.</li> </ul> <p><b>Family Tree</b> <b>First Generation (1980-2000)</b></p>  <p><b>Family Role in Organization Structure</b></p> 
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<p><b>5. Lee Huat Plastic</b> (Medium Scale Enterprise) (Housewares)</p> <p>Housewares)</p> <p><b>Product Manufacturer</b> <b>First Generation (1947-1969)</b></p> <p>Bicycle stands and parts later upgraded into drawer fittings</p>  <p>Simple plastic housewares production with dishes, spoon and cup</p>  <p><b>Second Generation(1969-2001)</b></p> <p>Full range of "Tupperware" trend of plastic housewares</p>  <p>Appointed as Rubbermaid bottles manufacturer in Malaysia</p>  <p><b>Third Generation (2001-2011)</b></p> <p>Creative with customized design of bathroom fittings</p>  <p>Customized design of innovative desk wares from different countries</p> 	<p>1947-2011 (3<sup>rd</sup> Generation)</p>	<p><b>Brief history</b></p> <ul style="list-style-type: none"> <li>-Started as bicycle stands workshop in Malaysia (Kuala Lumpur) around 1947-1969.</li> <li>-Tony Chen takes over the family business (1969) in Kepong.</li> <li>-Manufactured plastic houseware and received customization orders from local MNCs.</li> <li>-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.</li> <li>-New factory facilities in Shah Alam (2002) upgraded to produce high quality housewares (2007) under 3<sup>rd</sup> generation CEO, Callum Chen's leadership and established Clover design and Halo + Agency as the consultative enterprise (2008).</li> <li>-Knowledge utilized from bicycle stands producer to plastic furniture wares and innovative plastic wares and promotes design capabilities.</li> </ul> <p><b>Family Tree</b> <b>First Generation (1947-1969)</b></p> <pre> graph TD     A([Establishment of bicycle stands manufacturer]) --&gt; B[Chen Kow Fatt (Founder) Passed Away]     B --&gt; C[Second Generation (1969-2001)]     C --&gt; D[Tony Chen Kwok Ming (Elder Son) 1,353,904 shares]     D --- E([Son of Chen Kow Fatt])     D --&gt; F[Third Generation (2001-2011)]     F --&gt; G[Callum Chen Kok Seng (Elder Son) 1,353,904 shares]     F --&gt; H[Chen Kok Hwa (2nd Son) 942,674 shares]     F --&gt; I[Chen Kok Leong (3rd Son) 1,183,518 shares]     G --&gt; J[Clement Chen (Younger Son) Carlyn Chen (Elder Daughter)]     J --- K([Children of Callum Chen])     H --- L([Children of Tony Chen])     I --- L   </pre> <p><b>Family Role in Organization Structure</b></p> <table border="1"> <thead> <tr> <th>Second Generation (1969-2001)</th> <th>Lee Huat</th> <th>Third Generation (2001-2011)</th> </tr> </thead> <tbody> <tr> <td> <b>Lee Huat Plastic Industries (Plastic Housewares)</b>             Tony Chen Kwok Ming (Director-2<sup>nd</sup> Generation)         </td> <td></td> <td> <b>LH Plus Sdn Bhd (LH Plastic Products)</b>            (Director-3<sup>rd</sup> Generation)            Callum Chen Kok Seng (Director- Management)            Chen Kok Hwa (Director-Marketing)            Chen Kok Leong (Director-Manufacturing)         </td> </tr> <tr> <td colspan="3"><b>Fourth Generation (Upcoming)</b></td> </tr> <tr> <td> <b>Clover Design (Premium and Gift)</b>             Caryn Chen- 4<sup>th</sup> Generation (Sales and Marketing Manager)         </td> <td></td> <td> <b>Halo + Agency Sdn Bhd (Design Enterprise)</b>             Clement Chen- 4<sup>th</sup> Generation (Product Development Manager)         </td> </tr> </tbody> </table>	Second Generation (1969-2001)	Lee Huat	Third Generation (2001-2011)	<b>Lee Huat Plastic Industries (Plastic Housewares)</b>  Tony Chen Kwok Ming (Director-2 <sup>nd</sup> Generation)		<b>LH Plus Sdn Bhd (LH Plastic Products)</b> (Director-3 <sup>rd</sup> Generation) Callum Chen Kok Seng (Director- Management) Chen Kok Hwa (Director-Marketing) Chen Kok Leong (Director-Manufacturing)	<b>Fourth Generation (Upcoming)</b>			<b>Clover Design (Premium and Gift)</b>  Caryn Chen- 4 <sup>th</sup> Generation (Sales and Marketing Manager)		<b>Halo + Agency Sdn Bhd (Design Enterprise)</b>  Clement Chen- 4 <sup>th</sup> Generation (Product Development Manager)
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<b>Fourth Generation (Upcoming)</b>														
<b>Clover Design (Premium and Gift)</b>  Caryn Chen- 4 <sup>th</sup> Generation (Sales and Marketing Manager)		<b>Halo + Agency Sdn Bhd (Design Enterprise)</b>  Clement Chen- 4 <sup>th</sup> Generation (Product Development Manager)												

<p><b>6.Polynic</b> (Small Scale Enterprise) (High Precision Plastic Injection) (Plastic Injection)</p> <p><b>Product Manufacturer</b> <b>First Generation (1977-2006)</b></p> <p>Conductive paper feeder parts for writing instruments</p>  <p>Paper tray parts and accessories for printer, fax and photocopy</p>  <p><b>Second Generation (2007-2011)</b></p> <p>New product of Surveillance sensor with wire assembly</p>  <p>Energy saving spotlight system with wire assembly</p> 	<p>1977-2011 (2<sup>nd</sup> Generation)</p>	<p><b>Brief history</b></p> <ul style="list-style-type: none"> <li>-Started as plastic injection service operator in Malaysia (Penang) in 1977.</li> <li>-Founder was an engineer and achieved Underwriters Laboratories (UL) (1978).</li> <li>-Started to develop own manufacturing plant including sub-assembly plastic injection based on single MNC's requirement in writing instrument area.</li> <li>-Started to receive orders from local MNCs, particularly worked on writing instrument such as printer casing, fax machine and photocopy machine parts (1979-1988).</li> <li>-Customer design experience were gained from the local MNCs such as Epson, AMD, Sony and Yosogo and ventured into semiconductor industry (1990).</li> <li>-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.</li> <li>-Second generation started to explore opportunities in renewable energy from the idea of ink saver printer machine through virtual R &amp; D (2007).</li> <li>-Knowledge gained from plastic molding service to precision plastic manufacturing and sustainable in renewable energy plastic.</li> </ul> <p><b>Family Tree</b> <b>First Generation (1977-2006)</b></p>  <p><b>Second Generation (2007-2011)</b></p> <p><b>Family Role in Organization Structure</b> <b>First Generation (1977-2006)</b></p> 
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**7. Lam Seng**  
(Medium Scale Enterprise)  
(Plastic Injection Molding)  
(Container& Plastic Injection)

**Product Manufacturer**  
**First Generation (1967-1990)**

Industrial container marketed under Winner brand

Household container marketed under Winner brand

**Old Second Generation (2000-2011)**

OEM manufacturing for lotion and face soap container

OEM manufacturing and printing labelling

**New Second Generation (2000-2011)**

OEM manufacturing for export trading in light and heavy industry

1967-2011  
(2<sup>nd</sup> Generation)

**Brief history**

- 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.
- 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.
- Knowledge nurtured from plastic container making to high technology industry and sustain in OEM manufacturing.

**Family Tree**

**First Generation (1967-1999)**

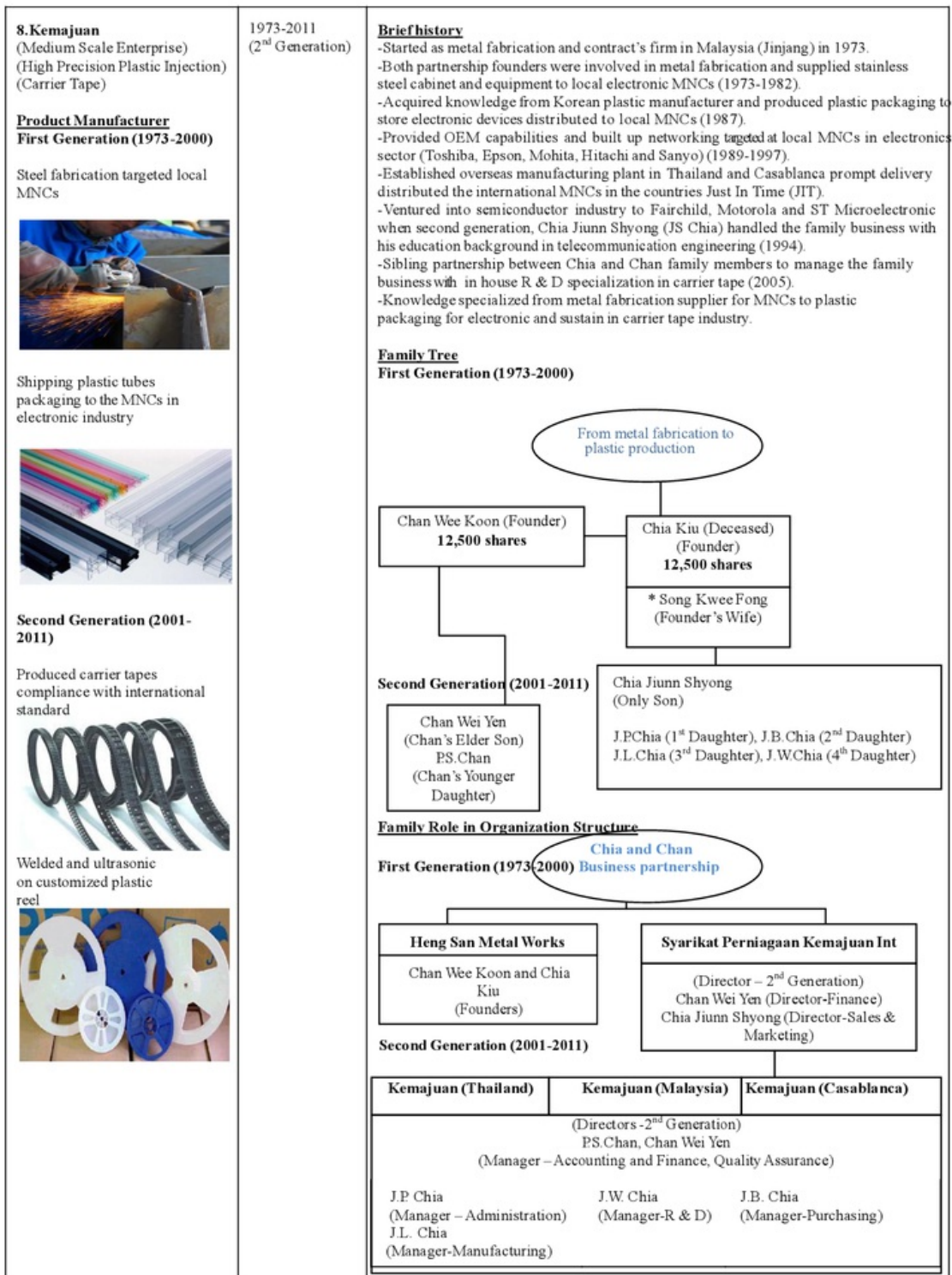
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graph TD
    A([Early establishment of chemical engineering firm]) --> B[Tan Kim Peow@ Kim Phew (Founder)  
Tan Kim Leng (Founder – 33,489 shares)  
Tan Kim Hwa (Founder – 172,766 shares)  
Tan Chew Seng (Founder – 642,857 shares)]
    B --> C([Owned shares in Tan Boon Bak & Sons])
    B --> D([Major shareholder, owned Tan Chew Seng Sdn Bhd])
    B --> E([Family members of Tan Chew Seng])
    B --> F[Old Second Generation (2000-2011)]
    F --> G["(Directors-Old second generation)  
Tan Cheow Hian and Tan Cheow Ho (Each owned 21,428 shares)  
Low Sin Chen (7,143 shares - Not Involved in Business)  
Tan Wan Kah (7,143 shares)"]
    F --> H["Tan Mei Kean (7,143 shares)  
Tan Dee Kiang (7,143 shares)  
Tan Mui Tee (7,143 shares)"]
    F --> I[New Second Generation (2000-2011)]
    I --> J["(Directors- New second generation)  
Toh Guet Kheng, Tan Aun Chiew & Tan Aun Yeong (Each owned 7,143 shares)"]
    J --> K([Children of Tan Cheow Ho and Tan Cheow Hian])
  
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**Family Role in Organization Structure**

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graph TD
    A([Lam Seng]) --> B[First Generation (1967-1999)]
    A --> C[Second Generation (2000-2011)]
    B --> D[Tan Boon Bak Group (Chemical Engineering)]
    C --> E[Lam Seng Group (Plastic Injection Moulding)]
    D --> F[Tan Kim Peow@ Kim Phew (Company Director)  
Tan Kim Leng (Company Director)  
Tan Kim Hwa (Company Director)  
Tan Chew Seng (Lam Seng Group Chairman)]
    E --> G[Tan Cheow Hian@Lek Keah (Group Chairman 1)  
Tan Cheow Ho (Group Chairman 2)  
Tan Aun Chiew (Production Manager)  
Tan Aun Yeong (Production Manager)]
  
```



**9. Yew Lee**  
(Small Scale Enterprise)  
(Housewares)  
(Broom & Brush)

**Product Manufacturer**  
**First Generation (1970-2000)**

Plastic broom production  
mainly for household used



90% of feeding bottle brushes  
specially made for  
domestic market used



Industrial brushes production for  
electronic, food, rubber, plastic,  
wood & textile industry



**Second Generation (2000-2001)**

Produced cleaning brushes for  
household and industrial



Produced personal care brushes  
for cosmetic and personal care



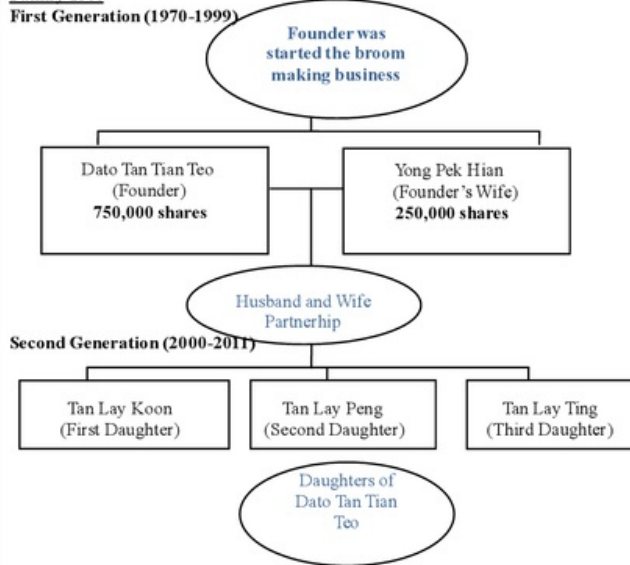
1970-2011  
(2<sup>nd</sup> Generation)

**Brief history**

- 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.

**Family Tree**





**First Generation (1970-1999)**









**Family Role in Organization Structure**

**First Generation (1970-1999)**



<p><b>10.Cemerlang Raya</b> (Small Scale Enterprise) (Housewares) (Broom &amp; Brush)</p> <p><b>Product Manufacturer</b> <b>First Generation (1987-2001)</b></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>1987-2011 (2<sup>nd</sup> Generation)</p>	<p><b>Brief history</b></p> <ul style="list-style-type: none"> <li>-Started as hardware merchant in Malaysia (Kepong).</li> <li>-Founder was one of the directors and later opened broom factory (1987).</li> <li>-Founder manufactured broom products and distributed to major hardware shops. However, the factory was burned down because of old machine break down (1993).</li> <li>-Founder trained his relatives and family members to provide organization learning in machine upgrading and later moved to a new factory at Rawang (2000).</li> <li>-The founder brought his 3 children after their overseas studies and started to involve them in production and R &amp; D to produce concept based cleaning agent (2002).</li> <li>-Second generation combined 3M cleaning concept to promote innovativeness thus coming out with Rayaco cleaning products.</li> <li>-Knowledge managed from Tan Ban Seng hardware to Cemerlang Raya plastic firm and sustain as concept based Rayaco Cleaning Agent.</li> </ul> <p><b>Family Tree</b> <b>First Generation (1987-2001)</b></p> <pre> graph TD     A([Partnership business between husband &amp; wife]) --&gt; B[Tan Kim Chuan (Founder) 20,000 shares]     A --&gt; C[Yap Yu Lian (Founder's Wife) 400,000 shares]     B --&gt; D[Low Boon Seng (Tan's Relative)]     B --&gt; E[Low Woon Kim (Tan's Relative)]     D --&gt; F([Low's brothers belong to founder Tan Kim Chuan's family])     C --&gt; G[Yap Chee Keong (Yap's Brother)]     G --&gt; H([Yap Yu Lian with her brother])   </pre> <p><b>Second Generation (2002-2011)</b></p> <pre> graph TD     I[Tan Jenn Kent (Tan's Elder Son) Tan Jenn Shyong (Tan's 2<sup>nd</sup> Son) Tan Jenn Uei (Tan's 3<sup>rd</sup> Son)]   </pre>				
<p><b>Second Generation (2002-2011)</b></p> <p>Rayaco concept based cleaning agent production</p>  <p>Rayaco brand of industrial sponge and brushes production</p> 		<p><b>Family Role in Organization Structure</b> <b>First Generation (1987-2001)</b></p> <pre> graph TD     J([Cemerlang Raya]) --&gt; K[Tan Ban Seng (M) Sdn Bhd Tan Kim Chuan (One of the director)]     J --&gt; L[Perusahaan Cemerlang Raya Directors-Founder Yap Yu Lian (Managing Director-Administration) Tan Kim Chuan (Director) Yap Chee Keong (Supervisor)]   </pre> <p><b>Second Generation (2002-2011)</b></p> <table border="1"> <thead> <tr> <th>Perusahaan Cemerlang Raya Sdn Bhd</th> <th>Rayaco Marketing (M) Sdn Bhd</th> </tr> </thead> <tbody> <tr> <td>           Yap Yu Lian (Managing Director-Administration)            Tan Kim Chuan (Director)            Yap Chee Keong (Store Supervisor)            Low Boon Seng (Factory Supervisor)         </td> <td>           Tan Kim Chuan (Director)            *Low Woon Kim (Director)            Yap Yu Lian (Director)            Tan Jenn Kent (Production and R&amp;D)            Tan Jenn Shyong (Export)            Tan Jenn Uei (Marketing)         </td> </tr> </tbody> </table>	Perusahaan Cemerlang Raya Sdn Bhd	Rayaco Marketing (M) Sdn Bhd	Yap Yu Lian (Managing Director-Administration) Tan Kim Chuan (Director) Yap Chee Keong (Store Supervisor) Low Boon Seng (Factory Supervisor)	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)
Perusahaan Cemerlang Raya Sdn Bhd	Rayaco Marketing (M) Sdn Bhd					
Yap Yu Lian (Managing Director-Administration) Tan Kim Chuan (Director) Yap Chee Keong (Store Supervisor) Low Boon Seng (Factory Supervisor)	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)					

<p><b>11. Sweetco</b> (Small Scale Enterprise) (Housewares) (PVC Canvas)</p> <p><b>Product Manufacturer</b> <b>First Generation (1929-1949)</b></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><b>Second Generation(1950-1970)</b></p> <p>PE Canvas and plastic hand begs production</p>  <p>PVC stationery files production for file storage</p>  <p><b>Third Generation (1971-1999)</b></p> <p>From "Maslino" to "Ekonor" brand of PVC floor mats</p>  <p>Investment consultation service</p> 	<p>1929-2011 (3<sup>rd</sup> Generation)</p>	<p><b>Brief history</b></p> <ul style="list-style-type: none"> <li>-Started as imported goods merchant at Jalan Ampang (Kuala Lumpur) in 1929.</li> <li>-The founder's ancestor came from China, Fujian established Chop Sweetco</li> <li>-After World War II, Chop Sweetco changed the business nature as sole agent to distribute European made products from Holland and England (1945-1949).</li> <li>-Sweetco Enterprise later ventured into European PVC floor mats main distributor (1949-1960) and Asian made PVC floor mats main distributor (1961-1970).</li> <li>-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.</li> <li>-Ng Wei Yew diversified into PE canvas manufacturer (1974), palm oil and rubber plantation (1978) and Maslino PVC floor mats (1983) in 3rd generation.</li> <li>-Sweetco later expanded and diversified into Sweetco marketing (1987), Sweetco Nominees (1988-1989) and produced Ekonor PVC floor mats (1989-1992).</li> <li>-However, Sweetco tends to remain small scale since the next generation is not interested in joining the family business.</li> <li>-Knowledge gained from merchant experience to plastic canvas production and sustained as Malaysia pioneer in plastic mats production.</li> </ul> <p><b>Family Tree</b></p> <p><b>First Generation (1929-1949)</b>      <b>Second Generation (1950-1970)</b></p> <pre> graph TD     A([Chop Sweetco was established]) --&gt; B[Ng Chen Dao (Founder-1st Generation) Ng Dai Jun (Founder's first Son)]     C([Sweetco Enterprise was established]) --&gt; D[Ng Wei Yew Ng Wei Chow Ng Wei Shun (Sons of Ng Dai Jun)]     B --- D   </pre> <p><b>Third Generation (1971-1999)</b>      <b>Upcoming Generation (2000-2011)</b></p> <pre> graph TD     E([The establishment of Sweetco Enterprise and partnership business]) --&gt; F[Ng Wee Yiew (Third Generation CEO) 857,497 shares Yan Yok Chin (CEO's Wife) 62,503 shares]     G([Children of Ng Wee Yiew]) --&gt; H[Ng Li Lian (3rd CEO daughter) 20,000 shares Ng Kong Leng (3rd CEO Son) 79,000 shares]     F --- H   </pre> <p><b>Family Role in Organization Structure</b></p> <p><b>First Generation (1929-1949)</b>      <b>Second Generation(1950-1970)</b></p> <pre> graph TD     I([Sweetco]) --&gt; J[Chop Sweetco Ng Chen Dao &amp; Ng Dai Jun (Business Owner)]     I --&gt; K[Sweetco Enterprise Ng Wei Yew (Director 1) Ng Wei Chow (Director 2) Ng Wei Shun (Director 3)]   </pre> <p><b>Third Generation (1971-1999)</b>      <b>Upcoming Generation (2000-2011)</b></p> <pre> graph TD     L[Sweetco Industrial &amp; Investment Ng Wee Yew &amp; Yan Yok Chin (Company Director)]     M[Sweetco of Malaysia Product Ng Wei Yew (Group mentor) Ng Li Lian &amp; Ng Kong Leng (Company Director)]   </pre>
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Changes in the product range by a number of these companies shows 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 plastic 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 the export processing zones (EPZs), one mechanism to make the region attractive to skilled workers and managers<sup>11</sup>. However, family SMEs established between the 1980s and 1990s ventured 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 volume<sup>12</sup>. This conforms Prias' (1976) argument that economies of scale were not dependent on firm size, but on plant size. Piore (1984) provided further evidence to support this point, based on the example of small scale industries developed in continental Europe, arguing that small

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<sup>11</sup> Sourced from United Nations Industrial Development Organizations (UNIDO) Industrial Development Report, 2009.

<sup>12</sup> 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.

firms were capable of being more adaptive to market expectations as they were far more capable and better provisioned. Plastic injection SMEs producing parts and accessories for MNCs requiring more equipment were more prone to such capital investment<sup>13</sup> in order to diversify.

The housewares and broom and bushes 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 knowledge<sup>14</sup>. The next generation, equipped with high education, could foresee the opportunities in introducing innovation in their primary products 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 the decision-maker regarding professional management and rebranding. Differences between generations about managerial styles would influence 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 relinquished control to the second or third generation<sup>15</sup>. To deal with growing domestic and international competition, these family SMEs used product

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<sup>13</sup> 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.

<sup>14</sup> 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.

<sup>15</sup> In the third generation family firm, Sweetco Enterprise, the founder remained a primary decision-maker.

development and R&D to produce higher quality products such as PVC, housewares and brooms and brushes.

Table 4.5's in-depth studies indicate how generational change has shaped the family tree and the role of the families in 11 plastic SMEs, factors determining organizational structure as well as the number of products manufactured. Since families have differing, strategy varied or differed to achieve the desired organizational outcomes. This change of leadership had a 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 founders<sup>16</sup>. Managerial decision-making became more complex with the emergence of the third generation, given the growing number of family members or "cousin consortium" involved in the enterprise<sup>17</sup>. Minimizing conflict and maintaining harmony often resulted in delayed decision-making<sup>18</sup>.

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

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<sup>16</sup> Ken Khor, Polynic Industries's CEO, JS Chia, Kemajuan's CEO and JS Tan, Cemerlang's CEO all indicated they were risk reverse.

<sup>17</sup> Lee Huat Plastic and Sweetco, in third generation, had siblings and cousins involved in the 3Ms and convened more regularly board meetings.

<sup>18</sup> Interviews with fourth generation, Carlyn Chen from Clover Design, Lee Huat Plastic subsidiary, in PJU Damansara, Malaysia.

engineering, codified their tacit knowledge. To do this, they built on the knowledge obtained from industry specifications received from MNCs for component parts. Inevitably, these products were different from those produced by the first generation.

Based on the in-depth study of these 11 family SMEs in plastic 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 plastic production, a factor leading to 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 and ventured into automobile plastic molding to seek further opportunities in AFTA<sup>19</sup> and Iskandar Malaysia<sup>20</sup>; (c) Polynic partnering with Han Shing Industries to conduct virtual R&D in renewable energy after cooperating with MNCs in the electronic sector; (d) Kemajuan reorganizing its corporate structure into subsidiaries based on 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

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<sup>19</sup> AFTA (Asean Free Trade Association), a trade bloc agreement by the Associations of Southeast Asian nations.

<sup>20</sup> IM (Iskandar Malaysia), defined as Iskandar Development Region (IDR), is the main development corridor of the state of Johor.

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 with 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 the 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 plastic 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 creation of trusted brand products such as a BBB-approved piping system, Ekonor flooring technology, LH design housewares, Rayaco cleaning tools and Yew Lee broom and 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 plastic technology while facing difficulty hiring technically competent personnel. In founder-controlled firms, there was an unwillingness to share knowledge and the owners always remained rigid and paternalistic for product development, with a profit-oriented focus. Among the next generation, certain plastic SMEs developed tacit knowledge by moving away from unsophisticated products, in order to create trusted brand 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 meeting CE standards (European conformity)<sup>21</sup>. 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 UPVC piping system (1980), HDPE Polypipe system (1990), ABS piping 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 involved his heirs, Ng Li Lian and Ng Kong Leng. Sweetco has evolved from a wholesaler or distributor of imported goods before the colonial era (1945-1949) to PVC industrial production, triggered by interest in

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<sup>21</sup> With 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.

production matters related to PVC bags and canvas from European countries (1961-1970). They had knowledge, nurtured by serving as sale agent for firms from different countries, but lacked the know how to produce Malaysian-made PVC products that were of affordable and of high quality. Since the government promoted the Look East policy around the 1980s, a decision to partner with foreign investors from Korea 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 business ventures 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 became trusted brands suited to the needs of Malaysian.

Table 4.5 indicates that knowledge was acquired after these firms established a network 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 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 through. For example, the company was involved in global supply chains comprising MNCs such as Rubbermaid, Nestle and GlaxoSmithKline (GSK). The next generation also tried to upgrade itself from a low end housewares production firm to a consultative plastic design centre<sup>22</sup>. 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 market.

In contrast, Lee Huat differed from other plastic SMEs as Lee Huat was very talented at combining the old instinctive, entrepreneurial management characteristic of the founder with a new modern professional approach in consultative OEM plastic production, primarily by inviting external professional management bodies to engage with family members. The next generation saw old pattern of production as 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 provisioning for qualified human capital to 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 tacit knowledge and expertise retention. This becomes more

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<sup>22</sup> The 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.

acute as firms develop a growing professional management base, as ideas about technology are shared and collaboration with other firms increases. However, certain plastic SMEs actively protected their tacit knowledge, keeping it hidden and unspoken. Sometimes the next generations were reluctant to divulge knowledge about the development of their products; this was evident during some of my interviews<sup>23</sup>. 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 the attempt to incorporate new ideas to improve 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 for the creation of internationally-recognize products.

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

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<sup>23</sup> Tan 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.

brand product, Rayaco<sup>24</sup>, nurtured also 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 a customized brushes and brooms market and "educating" their customers to view these products not as mere household cleaning products but 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, a mechanism to develop a new niche market in the feminine beauty industry.

Using the business history approach adopted from Chandler, most family SMEs in plastic production evolved from home-based cottage industries into knowledge intensive firms, mostly through MNC partnerships<sup>25</sup>. The longevity of these family SMEs depended on keeping up with technological developments. Machine upgrades for value-added products as trusted brands rather than focusing on mass production was common after the next generation took over the family business. Their new ventures and R&D occurred after they had accumulated experience in the global supply chains with MNCs which had 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 knowledge<sup>26</sup>.

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<sup>24</sup> Rayaco 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.

<sup>25</sup> Kemajuan, 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.

<sup>26</sup> 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.

#### **4.8     Developing Tacit Knowledge through Innovation in Plastic Production**






Tacit knowledge management involving upgrading skills and a mindset focusing on innovation were essential for plastic SMEs to codify tacit knowledge. Most literature on family business has connected family involvement to organization behaviours 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 plastic production illustrates the positive impact of innovation in top down relations to enhance enterprise development across generations. 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 a certain work environment. For example, knowledge of how to foster innovativeness within new product development team shows development of tacit knowledge.






Table 4.6 also illustrates how these plastic SMEs enhanced tacit knowledge management through idea exchanges with managers and family members even though such exchanges were difficult and time-consuming. Importantly, building trust in the relationships between organizations are essential for effective tacit knowledge management. Most family SMEs in plastic production were improved by developing new products. They adopted strategies to rebrand their signature products, conduct R&D and promote 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 4.5: Impact of Developing Tacit Knowledge through Innovation in Plastic Production



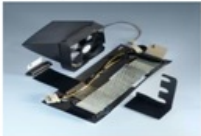


SME's Tacit Knowledge	Generational Change and Innovation Capacity	Strategy Management	Organizational Outcome
<p><b>1.SKP Resources (Large Scale Enterprise) (1974-2011)</b></p> <p><b>First Generation (Tacit knowledge)</b></p> <p>-E &amp; E industry experience</p>  <p>↓</p> <p><b>(Create the concept)</b></p> <p>-OEM in audio visual parts</p>  <p><b>Second Generation (Convert to codify)</b></p> <p>-Convert into outlook design knowledge based on Japan technology</p>  <p><b>(Innovation Capacity)</b></p> <p>-AFTA trade business opportunities in E &amp; E special in audio visual parts</p>  <p>↓</p> <p><b>(Enterprise Development)</b></p> <p>-Expand manufacturing warehouse in USA, etc.</p> 	<p><b>First Generation</b></p> <p><b>Skill:</b> Interpreted and adopted audio casings technology to develop tacit knowledge.</p> <p><b>Top Down:</b> Top management always lead the teams to achieving world class standard in plastic technology.</p> <p><b>PUI:</b> Openness to ideas and accepted technology advancement in audio visual parts accessories.</p> <p><b>Involvement:</b> Mostly family members and started to incorporate professional management.</p> <p><b>Second Generations</b></p> <p><b>Skill:</b> Interpreted tacit knowledge differently based on education received in Nissei plastic injection molding technology</p> <p><b>Top Down:</b> Top management gives autonomy to professional managers to explore new and miscellaneous industry.</p> <p><b>PUI:</b> Openness to innovative ideas and engaged with ASEAN or Asia cluster industry such as AFTA.</p> <p><b>Involvement:</b> Much family involvement, but focused on sustainability and performance oriented to achieve recognition.</p>	<p><b>First Generation</b></p> <p><b>Strategy:</b> 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><b>Second Generations</b></p> <p><b>Strategy:</b> 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><b>First Generation</b></p> <p><b>Enterprise Development:</b> Encouraged diversification from cottage industry to contract manufacturing by meeting product specification in audio visual parts and accessories.</p> <p><b>Second Generations</b></p> <p><b>Enterprise Development:</b> Promoted knowledge-based enterprise and value added service solution to achieve license manufacturing warehouse in the Southeast Asia.</p>






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

<p><b>3.Guppy Plastic (Medium Scale Enterprise) (1970-2011)</b>  <b>First Generation</b>  <b>(Tacit knowledge)</b>          -Plastic aquarium tanks in fish rearing as own hobby</p>  <p>↓</p> <p><b>(Create the concept)</b>          -Industry fit specification for the booming industry in particular time frame</p> 	<p><b>First Generation</b></p> <p><b>Skill:</b> Interpreted tacit knowledge into fish rearing aquarium tank.</p> <p><b>Top Down:</b> Top management leads the teams aligned with fish farm ventures.</p> <p><b>PUI:</b> Openness to ideas, though ventured into plastic injection molding when faced the shortage materials to produce fish tank.</p> <p><b>Involvement:</b> High family involvement within business partnership between Ng and Goh ownership.</p>	<p><b>First Generation</b></p> <p><b>Strategy:</b> 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><b>First Generation</b></p> <p><b>Enterprise Development:</b> 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><b>Second Generation</b>  <b>(Convert to codify)</b>          -Convert to be the one stop service plastic solution in the particularly industry</p>  <p>↓</p> <p><b>(Innovation Capacity)</b>          -Diversified portfolio to provide in depth service provider in cluster industries</p>  <p>↓</p> <p><b>(Enterprise Development)</b>          -Created the niche market with production capabilities to fit with the internal and external environment.</p> 	<p><b>Second Generation</b></p> <p><b>Skill:</b> Interpreted tacit knowledge to seek advice from professional management by incorporating outsourcing.</p> <p><b>Top Down:</b> Autonomy given to managers to foster innovative ideas in plastic solution. Every subsidiary had been centralized and reported to the professional managers.</p> <p><b>PUI:</b> Openness to innovative ideas and adopted industry fit from household, office equipment, pets and medicine products.</p> <p><b>Involvement:</b> Mostly family, but encouraged outsourcing. However, younger generation family members are not keen to join the business.</p>	<p><b>Second Generation</b></p> <p><b>Strategy:</b> Extended innovation capacity to incorporate outsourcing and professional management to venture into different plastic production aligned with industry specification.</p>	<p><b>Second Generation</b></p> <p><b>Enterprise Development:</b> 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><b>4.Chang Huat (Large Scale Enterprise) (1974-2011)</b>  <b>First Generation</b>  <b>(Tacit knowledge)</b>          -In house experience in plastic injection plant</p>  <p style="text-align: center;">↓</p> <p><b>(Create the concept)</b>          -OEM products for MNCs in electronic &amp; semiconductor industry between Malaysia electronic, Thailand and Indonesia.</p>  <p><b>Second Generation</b>  <b>(Convert to codify)</b>          -Convert from plastic injection to bunkering service in oil and gas sector</p>  <p style="text-align: center;">↓</p> <p><b>(Innovation Capacity)</b>          -Port of Tanjung Pelepas (PTP) bring great business opportunities between Singapore and Malaysia.</p>  <p style="text-align: center;">↓</p> <p><b>(Enterprise Development)</b>          -Strategic location in Southeast Asia region in bunkering and floating service.</p> 	<p><b>First Generation</b></p> <p><b>Skill:</b> Interpreted and adopted in house plastic injection technology to develop tacit knowledge.</p> <p><b>Top Down:</b> Top management focused on hand on training and make sure every staffs familiar with the plastic injection.</p> <p><b>PUI:</b> Openness to ideas and accepted technology advancement in electronic and semiconductor industry.</p> <p><b>Involvement:</b> 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><b>First Generation</b></p> <p><b>Strategy:</b> Heavy family participation and the family members usually involved in house training to understand the plastic injection molding technology.</p>	<p><b>First Generation</b></p> <p><b>Enterprise Development:</b> 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 &amp; D intensive).</p>
	<p><b>Second Generations</b></p> <p><b>Skill:</b> Interpreted tacit knowledge from plastic injection technology to oil and gas bunkering service.</p> <p><b>Top Down:</b> Top management gives autonomy to outsiders or partners who had experience in oil and gas shipping service.</p> <p><b>PUI:</b> Openness to innovative ideas and ventured into oil and gas shipping service replaced with unprofitable plastic production.</p> <p><b>Involvement:</b> Much family involvement, but assigned second son to be a company director who experience in oil and gas industry.</p>	<p><b>Second Generations</b></p> <p><b>Strategy:</b> 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><b>Second Generations</b></p> <p><b>Enterprise Development:</b> 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><b>5.Lee Huat Plastic (Medium Scale Enterprise) (1947-2011)</b>  <b>First Generation</b>  <b>(Tacit knowledge)</b>          -Knowledge in bicycle stands making</p>  <p>↓  <b>(Create the Concept)</b>          -Plastic wares manufacturer</p> 	<p><b>First Generation</b></p> <p><b>Skill:</b> Interprets tacit knowledge in line with bicycle stands manufacturer.</p> <p><b>Top Down:</b> Top management leads teams aligned with local household community people to provide repairing service.</p> <p><b>PUI:</b> Openness to ideas, though accepts technology to upgrade from manual hand work to the automated machine to produce drawer parts.</p> <p><b>Involvement:</b> High family involvement of family members, siblings to create good service reputation in the housing community.</p>	<p><b>First Generation</b></p> <p><b>Strategy:</b> 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><b>First Generation</b></p> <p><b>Enterprise Development:</b> 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><b>Second Generation</b>  <b>(Convert to codify)</b>          -Convert from housewares to OEM premium gifts and bottles for local MNCs.</p>  <p>↓</p>	<p><b>Second Generation</b></p> <p><b>Skill:</b> Interprets tacit knowledge in line with plastic housewares sector.</p> <p><b>Top Down:</b> Top management leads teams aligned with plastic wares ranges from household to MNCs.</p> <p><b>PUI:</b> Openness to ideas, though accepts Korea and Japan technology to produce safely products and high value added capabilities. <b>Involvement:</b> High family involvement and corporation to engage effective coordination in 3Ms.</p>	<p><b>Second Generation</b></p> <p><b>Strategy:</b> 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><b>Second Generation</b></p> <p><b>Enterprise Development:</b> 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><b>Third Generation</b>  <b>(Innovation Capacity)</b>          -Design capabilities based on globalized trend and ideas (Japan, Europe and US)</p>  <p>↓  <b>(Enterprise Development)</b>          -Consultant based enterprise in design concept of innovative plastic utensils.</p> 	<p><b>Third Generation</b></p> <p><b>Skill:</b> Interprets tacit knowledge in line with knowledge transfer between Malaysia human resources and Italian institute to enhance design capabilities in plastic housewares.</p> <p><b>Top Down:</b> Top management leads teams aligned with design culture of LH Plus to match with globalized trends and ideas.</p> <p><b>PUI:</b> Openness to ideas, though accepts advance technology with less maintenance to produce high design outlook from Japan, Europe and US design.</p> <p><b>Involvement:</b> High family involvement of young family members of Gen-X and Gen-Y encourage to involve in own consultative enterprise.</p>	<p><b>Third Generation</b></p> <p><b>Strategy:</b> 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><b>Third Generation</b></p> <p><b>Enterprise Development:</b> Extends production line from product based plastic housewares manufacturer to service based consultant in design concept of innovative plastic utensils.</p>

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

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

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

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

<p><b>10. Cemerlang Raya</b> (Small Scale Enterprise) (1987-2011)</p> <p><b>First Generation</b> (Tacit knowledge) -Wholesales experience to distribute China hardware products to the retail shop</p> <p style="text-align: center;">↓</p>  <p><b>(Create the concept)</b> -Brooms manufacturer to target business networking with previous hardware merchants</p>  <p><b>Second Generation</b> (Convert to codify) -Convert knowledge to design and create cleaning concept of Rayaco brand of cleaning products</p>  <p style="text-align: center;">↓</p> <p><b>(Innovation Capacity)</b> -Tacit knowledge to categorize Rayaco products into brooms series, brushes series and household series</p> <p>4.1.3</p> <p style="text-align: center;">↓</p> <p>4.1.4</p>  <p><b>(Enterprise Development)</b> -Provide Gen-2 newly family enterprise focus on new concept of cleaning products and explore export capacity</p> 	<p><b>First Generation</b></p> <p><b>Skill:</b> Interpreted tacit knowledge aligned with hardware trading experience later ventured into brooms production.</p> <p><b>Top Down:</b> Top management usually under founder's leadership where founder's wife and brother in law always placed at the top position.</p> <p><b>PUI:</b> Openness to ideas, mainly to produce low price of cleaning products to stay competitive.</p> <p><b>Involvement:</b> 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><b>Second Generations</b></p> <p><b>Skill:</b> Interpreted experience from founder and passes skills across generations to create cleaning concept of Rayaco products.</p> <p><b>Top Down:</b> Top management replaced with younger competent Gen-X family members or staff to develop innovative production.</p> <p><b>PUI:</b> Openness to ideas, mainly to develop and create better portable cleaning products with better outlook.</p> <p><b>Involvement:</b> Although high family involvement encouraged cross functional activities among family members to establish R &amp; D cleaning concept.</p>	<p><b>First Generation</b></p> <p><b>Strategy:</b> 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><b>Second Generations</b></p> <p><b>Strategy:</b> Involved in extended innovation capacity by focusing R &amp; D in Rayaco cleaning products based on current production trend and captured export trading.</p>	<p><b>First Generation</b></p> <p><b>Enterprise Development:</b> 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><b>Second Generations</b></p> <p><b>Enterprise Development:</b> 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>
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<p><b>11. Sweetco Enterprise (Medium Scale Enterprise) (1929-2011)</b></p> <p><b>First Generation</b> (Tacit knowledge) -Knowledge in important goods wholesales experience from China to Malaysia</p>  <p>↓</p> <p><b>(Create the concept)</b> -To be the sole distributor of imported goods in Malaysia</p>  <p><b>Second Generation</b> (Convert to codify) -Convert from international business experience from Asia and Europe hence produce PE made products</p>  <p>↓</p> <p><b>Third Generation</b> (Innovation Capacity) -Knowledge transfer between Masfloor and Perlis state government and later to produce own Ekonor brand</p>  <p><b>(Enterprise Development)</b> -To become Sweetco Inc focus on diversification business activities from manufacturing to investment</p> 	<p><b>First Generation</b></p> <p><b>Skill:</b> Interpreted tacit knowledge aligned with sole agent experience in imported goods. <b>Top Down:</b> Top management usually under founder leadership and closer relationship with founder normally placed at the top position. <b>PUI:</b> Openness to entrepreneurial dynamism mainly to survive. <b>Involvement:</b> High family involvement and family members handled daily business.</p> <p><b>Second Generations</b></p> <p><b>Skill:</b> Interpreted experience from founder and passes skills across generation from wholesales to PE canvas production <b>Top Down:</b> Top management lead by senior staffs and started ventured in PVC floor mats. Not many staffs allocated at the top down relations. <b>PUI:</b> Openness to ideas, mainly to enhance efficiency and developed PE canvas from European to Asian design. <b>Involvement:</b> Although high family involvement, but encouraged family centralized and professional management.</p> <p><b>Third Generations</b></p> <p><b>Skill:</b> Interpreted experience from second generation and passes skills across generation to form partnership with foreign investor to produce Maslino PVC floor mats. <b>Top Down:</b> Top management lead by loyalty staffs and senior staffs usually placed at the top position. <b>PUI:</b> Openness to ideas, mainly to create own brand of PE and floor mats products. <b>Involvement:</b> Although high family involvement, but hard to attract younger staff to be involved in this old trading enterprise.</p>	<p><b>First Generation</b></p> <p><b>Strategy:</b> 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><b>Second Generations</b></p> <p><b>Strategy:</b> 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><b>Third Generations</b></p> <p><b>Strategy:</b> 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><b>First Generation</b></p> <p><b>Enterprise Development:</b> 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><b>Second Generations</b></p> <p><b>Enterprise Development:</b> 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><b>Third Generations</b></p> <p><b>Enterprise Development:</b> 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>
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Table 4.6 indicates that the next generation had collaborated with selected foreign MNCs are strategic partners promoting 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, did retained their tacit knowledge founded during first generation due to technology changes requiring more sophisticated parts and equipment. None of them who collaborated with MNCs in plastic injection sector utilized their tacit knowledge to develop their core products, except for certain plastic SMEs dealing with plastic housewares 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 lacks 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 the 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 closely 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 new plastic technology and economic changes. In terms of top down relations, some family SMEs in plastic

production were able to leverage on formal training and give autonomy in decision-making 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 most 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 lack of retention of tacit knowledge after collabourating 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 shift 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 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 plastic production to exploit opportunities emerging from industrial clusters in ASEAN countries. The next

generation from SKP Resources, equipped with the skill learned from Japan's Nissei, involved in plastic injection, 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 strategy. Guppy Plastic is not as prominent as Lam Seng, since the next generation was not keen to develop tacit knowledge in plastic production<sup>27</sup> 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 plastic 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

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<sup>27</sup> Interview on 11 June 2012 and conducted in Guppy Plastic Industries Sdn Bhd, Kuala Lumpur Plant.

by upgrading their core products. Compared with plastic injection SMEs collabourating with MNCs, family SMEs in plastic housewares production illustrate the ability to correctly interpret tacit knowledge to be sustainability used within the firm and protected from knowledge leaks to others. 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 focused on: (a) rebranding and strategizing the tacit knowledge through value-added improvement; (b) rebranding and strategizing the tacit knowledge through the introduction of new concepts; and (c) rebranding and strategizing the tacit knowledge based on the education they had acquired.

Plastic housewares and industrial fittings are perceived as low end technology 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 the previous generation 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 housewares and gifts). Yew Lee best illustrates the importance of knowledge specification to enhance “match and relate” in the broom and brush industry. 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 industry<sup>28</sup>.

#### **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, machineries and audio equipment. This historical analysis of innovation capacity in plastic production among family SMEs shows the differences in terms of knowledge transformation across generations, particularly between plastic injection and housewares production. During the founder generation, knowledge of plastic production was acquired through hands-on experience and repetitive practice, policies were

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<sup>28</sup> During an interview conducted on 23.9.2011 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.

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

Previous studies of family businesses argued that family members are not actively involved in SMEs, even for Malaysian firms<sup>29</sup>. 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 the production, particularly those who involved in plastic injection. The tacit knowledge has been transformed into different kind of products, services, solution and system. The next generation frequently upgraded, keeping abreast with technological advancement and building a reputation for their products to create trusted brands in the domestic and international marketplaces. Most imperative for the longevity of the family firms in the plastic production was typically the process of commercializing a founders' tacit knowledge. Improvements to the production process or an increase the variety of products were key, and though not absent among the founding generation it was given new impetus when the second and third generations took control of the organization.

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<sup>29</sup> For 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).

However, the extended innovation requires the founder to have assigned autonomy to the next generation, giving said firms a competitive. When a generational change occurred, there were clear transitions in these firms' internal factors such as objectives, their organizational structure, 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 a cottage business such as workshops, sole agent or main distributor 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 structure and innovation such as allocating resources in new plants, exploring niche markets and creating new ventures. Developing a corporate presence through branded products in was encouraged.

MNC partnerships spurred SMEs to continuously upgrade their machines, develop the range of their new products, involve more professional managers and establish new subsidiaries to increase their sales volume. This is commonly seen in the plastic SMEs such as SKP Resources, Chang Huat, Polynic, Kemajuan, Guppy Plastic and Lam Seng, companies that frequently ventured into various industries in order to keep pace with the rapid changes in technology and market demand<sup>30</sup>. The business history approach indicates that a majority of these SMEs strongly relied on projects and orders from MNCs to improve production processes. The major problem faced by these firms to nurture a culture of R&D and new innovation as the high costs involved to design new moulding, with a new series of equipment and accessories since SMEs hardly get R&D funding from the government.

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<sup>30</sup> SKP Resources manufactured audio-visual parts from its collaboration with Pioneer technology. Kemajuan improved carrier-tape packaging process after adopted ideas from ST Microelectronics.

The other problem faced by these SMEs in retaining tacit knowledge was that their products from their original enterprise such as fish farm aquarium production, writing instrument parts supplier, steel fabrication and plastic container producer, could hardly compete in terms of price, varieties 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 the 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 this plastic injection found it difficult to retain product uniqueness.

Among plastics manufacturers, there was a more urgent need to adapt and to 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 plastic SMEs collaborating with 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 plastic production ventured into other profitable industries during the transition, as they experienced less demand or 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 automobile industry through AFTA after they faced declining demand for parts and accessories in audio visual industry. Chang Huat disposed off their business in OEM plastic production after they faced slow demand of orders from local MNCs. However, Chang Huat made use of its business networking with MNCs and later

ventured into 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 housewares and household products SMEs such as Bina Plastic, Yew Lee, Cemerlang Raya, Sweetco and Lee Huat chose to refocus and rebrand their core products. The next generation was able to change their products outlook and features by improving and adding value to trusted brand products. Since plastic houseware SMEs were established in the 1930s compared with plastic injection SMEs, the families in the former, particularly third generation CEOs, were able to accumulate knowledge over time. They gained effects from the specific context into the subtleties of product designs. For the second generation family SMEs in plastic production, most of them transferred their tacit knowledge, yet the 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 housewares after partnering with Rubbermaid from USA and emerged as a novelized plastic housewares manufacturer. This aligned with the previous research which showed that tacit knowledge is best transformed during close interpersonal relationship between each other (Nonaka, 1994; Turner & Makhija, 2006).

Descendent-controlled firms were more professionally run than were founder-controlled firms. SMEs are more effective at tacit knowledge management and these family firms used 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 Plastic<sup>31</sup>. Most of these plastic housewares enterprises have specialized production processes, so competitors find it difficult to copy the products' features and outlook. 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 indicated with 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 becomes little in larger enterprises. It also varies across sectors. In larger firms, family involvement represents a smaller fraction and families may share their tacit knowledge with employees who practice professional management instead of tacit knowledge management.

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

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<sup>31</sup> See 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.

## **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, to answer the research questions (Denzin and Lincoln, 2005b; Bryman, 2001). The study first profiles the changes and development of 18 family SMEs identified for assessment in terms of number of employees, managers, equipment and products across generations. From the study, two of these family SMEs in food production were found to be eventually taken over by outsiders, i.e., Ghee Hiang and TPC. In both cases though, the tacit knowledge would be retained or transformed in the marketplace, for example sesame oil and heritage oriental pastries (Ghee Hiang) and egg poultry farm (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 enterprise to professionalized corporation, by providing a brief history, family tree and role 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 style and education background, contributed 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 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 has been 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 when ownership changes and product development occurred 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 multiethnic 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 the electronic components, oil refining and IT products sectors. The total number of firms in food processing in 2011 was 6,069, of which 98 per cent were SMEs. Processed foods are distributed overseas to over 80 countries, generated approximately RM6 billion from yearly export sales volume, out of 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 concept launches that have contributed to massive sales growth. There is 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 convenience 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 the second and third generation family members felt equipped to handle (see Figure 5.1). Ready-to-eat food products such as biscuits, bakeries and nuts offered more scope for new product development, comprising 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, bakeries 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).

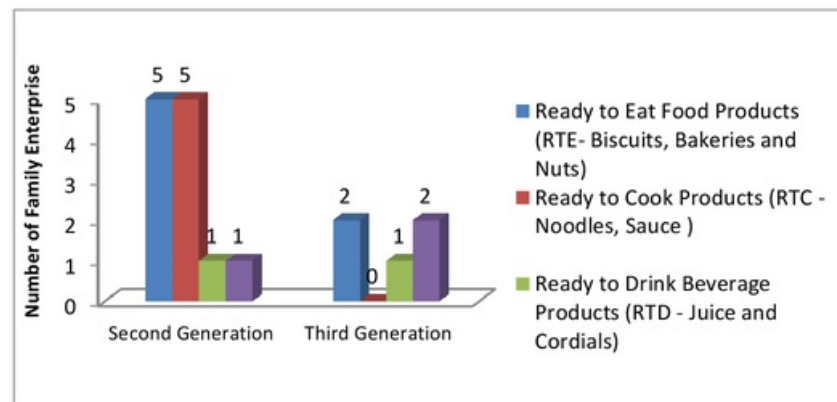


Figure 5.1: Business nature of family SMEs in food production across generations

### 5.3 Food Production: Profile & Development

An in-depth assessment of these SMEs indicated that the second and third generation cohort constituted family members with much higher learning than the founders, evidence of investment in human capital development by these firms. However, an outcome of such investment was that this new well-educated generation was one that was prone to questioning what they saw as old or traditional patterns of production<sup>32</sup>.

<sup>32</sup>In 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

Table 5.1 draws attention to a crucial point: the growing number of subsidiaries, branches and equipment in the running of 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 produced through R&D investment across generations to improve food quality, a fact confirmed during interviews with the executives of these SMEs<sup>33</sup>. A key point that emerged from the interviews, as shown in Table 5.1, is that roughly one-third of the 17 family SMEs in food production were established in the middle of nineteenth and the beginning of twentieth century. The food production industry has indicated steady developed across generations, primarily by investing in product development and by ensuring that tacit knowledge was codified in variety formats, depended on the original practical knowledge accomplished. 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 would setup medical stores, soy sauce production and pastries shop respectively when they first came to Malaya. The oldest firms, i.e. 3<sup>rd</sup> generation, have the largest numbers of employees – indicating impressive growth since its founding. With each generation, the increase in number of family members has grown appreciably, most notably in 3<sup>rd</sup> generation firms for example Ghee Hiang and Khong Guan.

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consumption behaviour, particularly the growing demand for convenience food.

<sup>33</sup> 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). 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).

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 <sup>rd</sup>	1-500	30-600	20-100	3-50	1-200	1-179	+150
2. Khong Guan (Biscuits)	1937 / 3 <sup>rd</sup>	2-330	25-450	10-130	5-28	1-21	2-185	+80
3. London Biscuit (Biscuits)	1994 / 2 <sup>nd</sup>	10-100	50-470	5-40	5-40	1-5	2-50	+60
4. Tatawa (Biscuits)	1981 / 2 <sup>nd</sup>	5-39	20-200	6-50	4-40	1-2	1-30	+50
5. Laksamana Usaha (Noodles)	1975 / 2 <sup>nd</sup>	1-30	10-120	8-40	2-10	0	2-20	+30
6. TPC Plus (Eggs)	1976 / 2 <sup>nd</sup>	5-28	20-330	5-35	2-8	0	2-18	+5
7. Vit Makanan (Noodles)	1975 / 2 <sup>nd</sup>	2-25	15-300	8-67	2-10	0	8-170	+30
8. Besfomee (Chinese herbs)	1948 / 3 <sup>rd</sup>	1-20	8-180	8-60	3-11	1-3	2-45	+40
9. King's Confectionery (Cakes & breads)	1977 / 2 <sup>nd</sup>	1-20	10-320	9-70	2-15	1-80	5-230	+80
10. Baker's Cottage (Cakes & Breads)	1994 / 3 <sup>rd</sup>	2-19	20-110	10-30	3-7	1-30	8-180	+55
11. Ghee Hiang (Sesame oil & biscuits)	1865 / 3 <sup>rd</sup>	0.5-18	8-105	20-55	2-10	1-3	3-20	+40
12. Kum Thim (Soy sauce)	1970 / 2 <sup>nd</sup>	1-15	30-50	10-35	1-7	1-3	5-15	+47
13. KLT Food (Restaurant)	1972 / 2 <sup>nd</sup>	1-8	5-100	8-58	3-20	1-6	1-10	+25
14. Red Horse (Cordials)	1964 / 2 <sup>nd</sup>	0.3-8	6-100	10-18	2-5	1-3	3-12	+20
15. Hei Hwang (Coffee)	1975 / 2 <sup>nd</sup>	0.7-6	10-30	8-15	2-7	1-2	2-30	+30
16. Eng Hup Seng (Sesame oil)	1987 / 2 <sup>nd</sup>	0.2-5	5-25	3-10	2-7	0	2-38	+33
17. Regent Food (Peanuts)	1981 / 2 <sup>nd</sup>	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 incorporated during the early half of the last century, they had experienced generational shifts, but the tacit knowledge remained in spite of these changes. The number of products they are now producing, built based on the tacit knowledge passed down by the founder has grown appreciably. For example, a majority of the Chinese herbs and essence products from Besfomec are produced based on the founder's ideas and knowledge in Chinese traditional medical practices. Kum Thim, KLT Food and Hei Hwang transformed production methods originally from the founders to more create new products that suited local tastes such as Ipoh white coffee and health beverages.

Table 5.1 also list those which focused on improving brand recognition, such as Eu Yan Sang (EYS) and King's Confectionary, companies that also have the largest number of branches with high involvement by family members and managers to manage their outlets effectively. King's Confectionery introduced business franchising during the second generation with centralized management. Eu Yan Sang established a large number of outlets locally as well as overseas from Eu Yan Sang's hamper stores, TCM (Traditional Chinese Medicine) Clinics, Health Cite SPA, Zun Kitchenette and Yen Mart. The firms that have well-known household brands, e.g. 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 were trying 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 indicated in Table 5.2. This table is adapted from Chandler's business history approach to show how family enterprises could overcome the advantages that first-movers had and to capture a place in an oligopoly through strategic management practices. Upton and Heck (1997) provided evidence to substantiate this point by Chandler (1962), of how family SMEs made use of "organization capabilities" to keep pace with industry changes and evolved from a hierarchical organization to a flattened organization by incorporating professional managers<sup>34</sup>. Such a business approach helps indicate how investment in equipment had contributed to product development – a tangible way of seeing the codification of tacit knowledge to create value in different forms over generations.


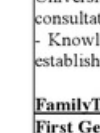
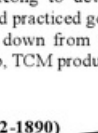
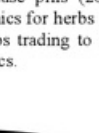
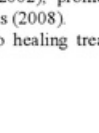
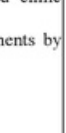
The first generation in food production was strongly associated with closely-held equity ownership and control over decision-making. The founders' heirs, particularly after they had acquired tertiary education, assumed the role of the decision-maker to create new retail channels (marketing), to decide who to hire (management), and to determine what kind of new food products to create (manufacturing). Differences between generations about managerial styles would influence strategic planning and was particularly evident if the founder had not fully retired, though he had relinquished control to the second or third generation<sup>35</sup>.



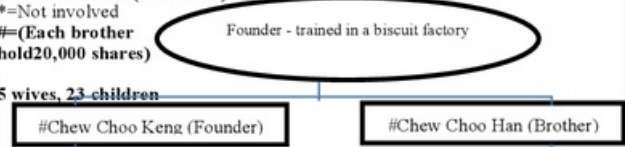

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<sup>34</sup>SMEs with more than 150 employees were classified as medium and large-scale enterprises. Categorizing SMEs into micro, small or medium enterprises can be based on a SMEs's assets, volume of sales or total employment who worked in the SMEs.

<sup>35</sup> 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><b>Eu Yan Sang</b> (Large Scale Enterprise) (Ready to Buy Products) (Chinese Herbs)</p> <p><b>Product Manufacturer</b> <b>First Generation (1842-1890)</b></p> <p>Chinese herbs medical shop sell imported herbs from China</p>  <p><b>Second Generation (1890-1941)</b></p> <p>Packaging herbs to cater to ethnic Chinese market in Malaysia, Hong Kong and Singapore</p>  <p><b>Third Generation (1930-1993)</b></p> <p>Eu Yan Sang capsule and pills in hygiene packaging for export</p>  <p><b>Upcoming Generation (1994-2011)</b></p> <p>Created new pharmaceutical products 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>1837-2011 (3rd Generation)</p>	<p><b>Brief history</b></p> <ul style="list-style-type: none"> <li>- Founders established Yan Sang Medical shop (Gopeng, Perak) in 1879.</li> <li>- During second generation, Eu Tong Seng inherited the family business as eldest son. Firm flourished and expanded rapidly within Malaya (1906), into Hong Kong (1909), Singapore (1910), China (1920). Established Eu Yan Sang name.</li> <li>- 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.</li> <li>- Lum Chang Holdings acquired a majority stake (1990). Eu Yan Sang tried to conduct 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 Menopase pills (2002), promoted clinic consultation (2001) and practiced good agronomics for herbs (2008).</li> <li>- Knowledge handed down from Chinese herbs trading to healing treatments by establishing retail shop, TCM products and clinics.</li> </ul> <p><b>Family Tree</b></p> <p><b>First Generation (1842-1890)</b>            * = Not involved            All shares in Singapore Dollar</p> <pre>           graph TD             A([Early establishment of Yan Sang medical shop]) --&gt; B[Eu Kong (Founder)]             B --&gt; C[Eu Tong Sen]             C --- D([Son of Eu Kong])             C --&gt; E[Eu Keng Chee (1st)]             C --&gt; F[Eu Keng Loon (2nd)]             C --&gt; G[Eu Keng Ngo (3rd)]             C --&gt; H[William Eu (4th)]             C --&gt; I[Edward Eu (5th)]             E --&gt; J[Richard Eu (6th)]             F --&gt; K[Charles Eu (7th)]             G --&gt; L[John Eu (8th)]             H --&gt; M[Fred Eu (9th)]             I --&gt; N[Roy Eu (11th)]             I --&gt; O[*Andrew Eu (10th)]             J --&gt; P["(Children of Richard Eu) Richard Y.M. Eu (52,945,143 shares) David Eu (11,523,806 shares) Geoffrey Eu Helena Eu"]             L --&gt; Q["(Children of John Eu) Clifford Eu (190,743 shares) Laurence Eu Vicky Eu"]             O --&gt; R["(Children of Andrew Eu) Robert James Eu (26,263,535 shares) Douglas Eu Philip Eu Anne Eu (675,000 shares)"]           </pre> <p><b>Second Generation (1890-1941)</b></p> <p><b>Third Generation (1930-1993) (Eu Tong Sen's sons)</b></p> <p><b>Upcoming Generation (1994-2011)</b></p> <p><b>Family Role in Organization Structure</b></p> <p><b>First Generation (1842-1890)</b>            EYSH : EYS Holdings Ltd            EYSIH : EYS International Holdings Pte Ltd</p> <p><b>Second Generation (1890-1941)</b>            EYS            EYSHK: EYS Hong Kong Ltd            Ex : Executive</p> <pre>           graph TD             A[Eu Kong (Founder)] --&gt; B[Eu Tong Sen (CEO)]             B --&gt; C[Eu Yang Sang International Ltd]             B --&gt; D[Eu Yan Sang Corporation]             C --&gt; E[EYSH: Eu Keng Chee (Chairman)]             C --&gt; F[EYSHK: Edward Eu (Chairman)]             C --&gt; G[EYSH: Richard Eu (Executive Director)]             C --&gt; H[EYSH: Charles Eu (Executive Director)]             C --&gt; I[EYSH: Fred Eu (Ex Director)]             C --&gt; J[EYSH: William Eu (Ex Director)]             D --&gt; K[EYSH: Richard Eu (Managing Director)]             D --&gt; L[EYSH: Anne Eu (Executive Director)]             D --&gt; M[EYSH: Clifford Eu (Director-Malaysia)]             D --&gt; N[EYSH: Richard Eu (Executive Director)]           </pre>

<p><b>2. Khong Guan</b> (Large Scale Enterprise) (Ready to Eat Products) (Biscuits)</p> <p><b>Product Manufacturer</b> <b>First Generation (1937-1958)</b></p> <p>Biscuits supplied to sundry shops and biscuits kept in metal tins.</p>  <p><b>Second Generation (1959-1988)</b></p> <p>Assorted biscuits manufactured using new flour milling technology.</p>  <p>Access to Australian Arnotts biscuit's formula to produce wafer.</p>  <p><b>Third Generation (1989-2011)</b></p> <p>Aims to become second most popular biscuit brand in China, due to the taste suitability and growing brand recognition.</p>  <p>Biscuits products to cater US and European private labelling.</p>  <p>New product development involving crackers and snacks; shifted from western market to Japanese and Korean markets.</p> 	<p>1937-2011 (3<sup>rd</sup> Generation)</p>	<p><b>Brief history</b></p> <p>-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 trader (1940) and rice and salt trading (1942). Then 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).</p> <p>-Khong Guan opened factories in Singapore (1959), Butterworth (1954), Seremban (1959), Kota Bharu (1960). Exported to Hong Kong and UAE.</p> <p>-In the second generation, Khong Guan ventured into flour milling (1960), Tanjong Rhu mill (1964), boosted capacity (1970) and listed on Malaysia stock exchange (1972).</p> <p>-Khong Guan signed an agreement with Australian Arnotts biscuits to gain access to a production formula (1974). Began biscuit manufacturing enterprise in China (1980), USA (1984) and Japan (1988) with 60 subsidiaries. 3 core companies are Khong Guan Flour Mill, Khong Guan Holdings and United Malaya Flour Mill.</p> <p>-In third generation, Khong Guan shifted to investment holding and condominium projects (1989), diversified into related industries: cocoa beans, corn flours (1990) and become the second most popular brand in China (1993).</p> <p><b>Family Tree</b></p> <p><b>First Generation (1937-1958)</b>        * = Not involved        # = (Each brother hold 20,000 shares)</p>  <p><b>Second Generation (1959-1988) (Chew Choo Keng's Son)</b></p>  <p><b>Third Generation (1989-2011) (Choo Keng and Choo Han's Grandsons)</b></p>  <p><b>Family Role in Organization Structure</b></p> <p><b>First Generation (1937-1958)</b></p>  <p><b>Second Generation (1959-1988)</b></p> <p><b>Third Generation (1989-2011)</b></p> 
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**3.London Biscuit**  
(Large Scale Enterprise)  
(Ready to Eat Products)  
(Biscuits)

**Product Manufacturer**  
**First Generation (1994-2000)**

Family business in timber industry, dealing with construction and furniture trading



Corn-based snacks and biscuits cup products with different flavors



**Second Generation (2001-2000)**

Disney character licensing in London Swiss roll to penetrate Southeast Asian market



Halal certificate for Mizu brand biscuits series to enter to UAE market



Khee San candies and sweets with tropical fruits by using latest technology. Became the largest candy manufacturer in Malaysia



New product development focused on snack category such as potatoes chips, sold at a competitive price



1994-2011  
(2<sup>nd</sup> Generation)

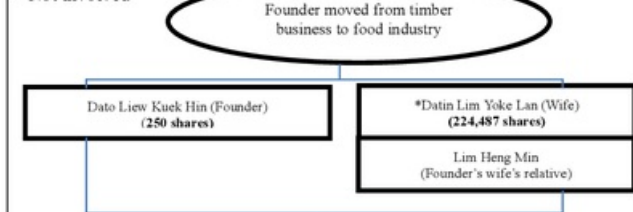
**Brief history**

-Started out as a family timber business.  
-Founder transformed the timber business to a food producer after acquiring 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 roll (2000). Awarded the best enterprise and ISO in 2001, listed on the second board (2002) and the main board (2003).  
-During second generation, sons and daughters rebuilt customized warehouse and installed robotic arm to achieve export award (2004); acquired Kinos Food-pie cakes - to obtain Disney character licensing (2005); acquired 25% stake in Lay Hong Berhad-poultry farming (2006); acquired Khee San Berhad-biggest candy manufacturer (2007).  
- Later customized MRP System (2008) and installed twist wrap packaging machine (2009) and launched potatoes chips in snack category (2010).  
- Aimed to be the biggest capacity cake line in Malaysia and Southeast Asia. Acquired TPC Plus-biggest McDonalds (Malaysia) appointed eggs producer.  
-Has become biggest roll cakes products producer, through acquisition.

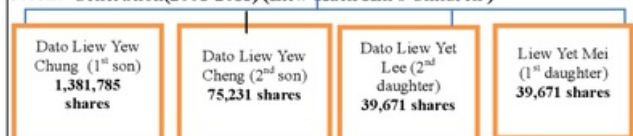
**Family Tree**

**First Generation(1994-2000)**

\*=Not involved

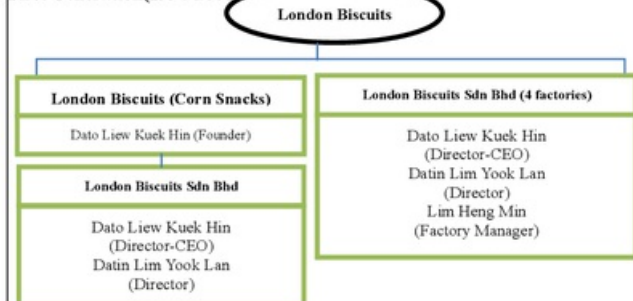


**Second Generation(2001-2011) (Liew Kuek Hin's Children )**








**Family Role in Organization Structure**

**First Generation(1994-2000)**



**Second Generation (2001-2011)**



<p><b>4. Tatawa</b> (Medium Scale Enterprise) (Ready to Eat Products) (Biscuits)</p> <p><b>Product Manufacturer</b> <b>First Generation(1994-2011)</b></p> <p>Traditional "Yong Sherng" wedding cakes and classical rice dumpling pastries house.</p>  <p>Private labelling ranges from domestic to (Southeast Asia, UAE &amp; Europe) marketplace.</p>  <p><b>Second Generation(2001-2011)</b></p> <p>Tianje mooncakes adopted from previous experience; popular among Japanese customers.</p>  <p>Tatawa nutrition bars and snacks resulted from R&amp;D in food technology department.</p>  <p>Tatawa hamper set specially packed for celebration events and distributed in major shopping complexes in Malaysia</p> 	<p>1981-2011 (2<sup>nd</sup> Generation)</p>	<p><b>Brief history</b></p> <ul style="list-style-type: none"> <li>-Began as a traditional biscuit manufacturer in 1952.</li> <li>-Moved from home-based business and received order lists from Japanese customers (1990) and established Tatawa biscuits industries in 1994.</li> <li>-Tatawa firstly exported to Asian markets (1995), recognized by Japan as private labelling and exported to USA (1996) and European markets (1998).</li> <li>-During second generation, the founder brought in her nephew and niece, involved in product development of western cookies combined with Southeast Asian flavor such as Pineapple Cookies and Raisin &amp; 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 "Golden Bull Award" (2004) and the "Industry Excellence Award" (2008) for outstanding achievement in export trading - up to 40 countries.</li> <li>-The second generation with rich marketing background continued to distribute at shopping malls, established food technology department (2009), ventured into Japanese Tianje mooncake (2008) and healthy bars and snacks (2010).</li> <li>-Knowledge has been preserved from traditional biscuits production to private labelling for export trading adopted with Japanese technology.</li> </ul> <p><b>Family Tree</b> <b>First Generation(1994-2000)</b></p> <pre> graph TD     Founder([Founder established Tatawa])     Founder --&gt; NgSweeAnn[Ng Swee Ann (Founder) (220,000 shares)]     Founder --&gt; Brothers[Founder's brothers Ng Sui Kang (1<sup>st</sup> Brother) (190,000 shares) Ng Ah Poh (2<sup>nd</sup> Brother) (190,000 shares) Ng Swee Mo (4<sup>th</sup> Brother) 190,000 shares Ng Swee Seng (5<sup>th</sup> Brother) 140,000 shares]   </pre> <p><b>Second Generation(2001-2011)</b></p> <pre> graph TD     NgSweeAnn --&gt; NgSweeCheng[Ng Swee Cheng (Founder's 2<sup>nd</sup> Brother) 200,000 shares]     NgSweeAnn --&gt; NgYeeHui[Ng Yee Hui (Nephew of Ng Swee Ann) 140,000 shares]     NgSweeAnn --&gt; NicoleNg[Nicole Ng (Yee Hui's sister)]     NgSweeAnn --&gt; NgSweeHuan[Ng Swee Huan (Founder's younger sister) 50,000 shares]   </pre> <p><b>Family Role in Organization Structure</b> <b>First Generation(1994-2000)</b></p> <pre> graph TD     TatawaBiscuits([Tatawa Biscuits])     TatawaBiscuits --&gt; YongSherng[Yong Sherng Confectionery Ng Swee Ann (Founder)]     TatawaBiscuits --&gt; TatawaIndustries[Tatawa Biscuits Industries Ng Swee Seng (Director - International Business) Ng Yee Hui (Manager - Local &amp; International market) Nicole Ng (Assistant manager - Domestic market) Ng Swee Cheng (Director - Production) Ng Swee Huan (Director - Administration)]   </pre> <p><b>Second Generation (2001-2011)</b></p> <pre> graph TD     TatawaIndustriesM[Tatawa Industries (M) Sdn Bhd (Domestic and International)]     TatawaIndustriesM --&gt; NgYeeHuiM[Ng Yee Hui (Director-Promotion &amp; Marketing) *Nicole Ng (Assistant-Domestic Market) *Lim (Assistant - International Market) Ng Swee Huan (Director- Sales &amp; Marketing) *Yap Lin Meet (General Manager)]     TatawaMooncakes[Tianje Mooncakes Ng Yee Hui (Director-Marketing and Promotion linked with food technologist) Ng Swee Huan (Director-Outlets and branches Manager) Yap Lin Meet (Front Sales and E-commerce)]   </pre>
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**5. King's Confectionery**  
(Medium Scale Enterprise)  
(Ready to Eat Products)  
(Cakes and Breads)

**Product Manufacturer**

**First Generation Part I  
(1960-1973)**

Malaysia Chinese Hainanese food and aromatic coffee; adopted these ideas during British colonial period



Mouth-watering desserts to be sold through hawker stalls



**First Generation Part II  
(1973-2002)**

King's cakes and pastries with daily fresh nutritional bakery concept



First to learn Portuguese egg tart, from Macau, later sold in Malaysia



**Second Generation  
(2003-2011)**

Opens outlets in Dhaka, Bangladesh to target India market



Highlights the tradition of Pak Hailam Kopitiam lifestyle café



Private labelling such as muffin (Firefly) and Sauces (Ayamas)



1977-2011  
(2<sup>nd</sup> Generation)

**Brief history**

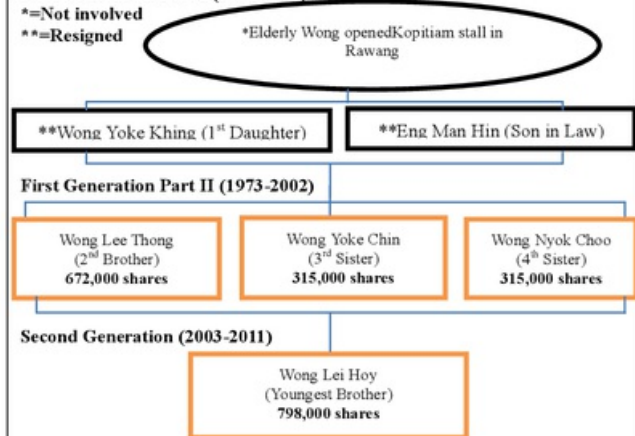
-Began as a small Kopitiam business in Batu Arang, Rawang in 1960.  
-Wong invited his wife and daughters as helpers to serve mouth-watering Chinese dumpling and aromatic coffee, 1960-1970.  
-They moved from Rawang stall to coffee house at Jalan Sutan, KL to help his elder daughter, Wong Yoke Khing, 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; shifted from market business (1972) to first shop house in Kepong (1975) and established King's Confectionery factory warehouse (1977) to distribute pastries to all outlets in Malaysia. Later, partnership with Carotene Oil production (1990) to produce healthy bakeries, from 50 to 120 new products.  
-During the second generation, youngest son, LH Wong joined the business and expanded from 25 to 90 outlets; became the largest retail confectionery chain (1995). 4 outlets 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 traditional hawker business to seek opportunities in pastries bakery and ventured into retail chain and lifestyle café.

**Family Tree**

**First Generation Part I (1960-1973)**

\*=Not involved

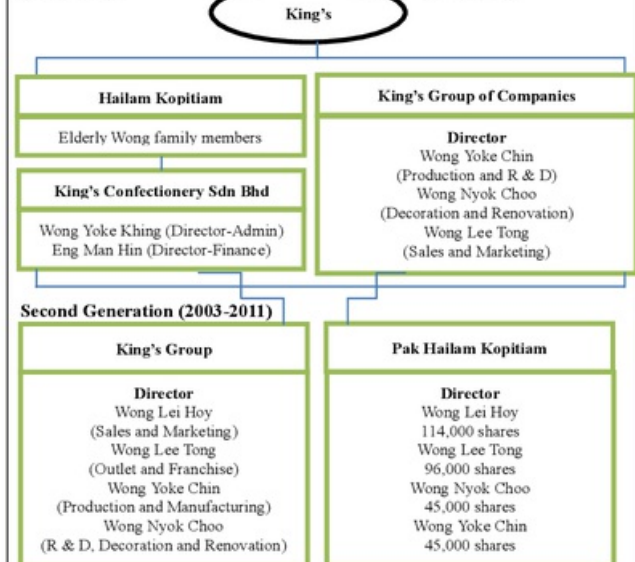
\*\*=Resigned



**Family Role in Organization Structure**

**First Generation Part I  
(1937-1958)**

**First Generation Part II  
(1973-2002)**



**6. Laksamana Usaha**  
(Medium Scale Enterprise)  
(Ready to Cook Products)  
(Noodles)

**Product Manufacturer**  
**First Generation (1975-1990)**

Traditional hand-made noodles making adopted from traditional recipe founded in 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 packaging to suit with local noodles preparation



Transferred knowledge from noodles production to Chili Boh or sauces ingredients related to the primary business



Seek opportunities to learn new technology to produce vermicellie products with longer shelf life to explore bigger export capacity



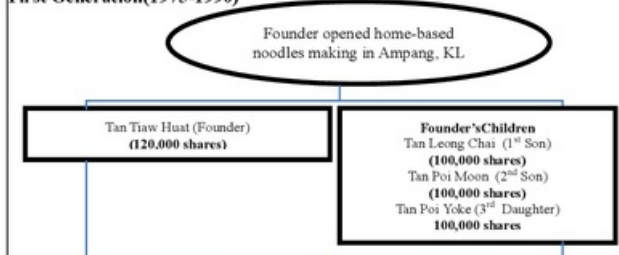
1975-2011  
(2<sup>nd</sup> Generation)

**Brief history**

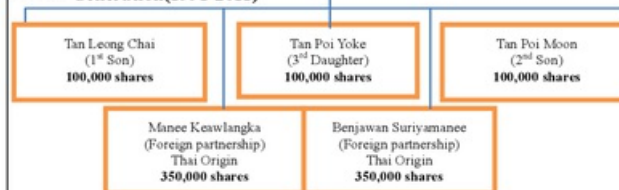
-Started from traditional noodles making, since 1975 in Ampang New Village.  
-Founder focused on traditional Chinese noodles making (yellow noodles) adopted from China Fujian traditional recipe.  
-Moved from home-based business to Jian Ann noodles manufacturing by implementing rice washing, cooling and mixing process (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 hawkers centers and markets.  
-During the second generation, founder trained his children from personal helper to manager and moved 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).  
- Second generation created foreign partnership in Thailand (2004), distributed noodles products to Thailand and international market. Started to implement cleaner technology (2007) and obtained halal certificate (2005) to penetrate Chinese Muslim restaurant chain in Malaysia (2008).  
-Knowledge has been passed down from traditional noodles recipe to local delicacy noodles and ventured into retail-based halal food distribution.

**Family Tree**

**First Generation(1975-1990)**

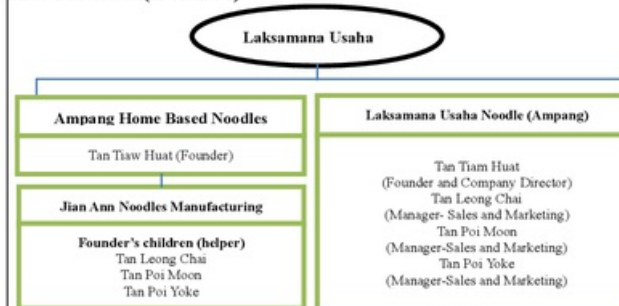


**Second Generation(1991-2011)**



**Family Role 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 traditional poultry chicken farming to produce eggs and chicken to distribute nearby



Produced core product, lower cholesterol omega eggs and supplied to McDonalds outlets in Malaysia



**Second Generation (2007-2011)**

Distribution channels expanded into confectionery chain and sold it to Lonbisco



Enhanced agriculture production by adopting biotechnology to produce healthy eggs for healthy lifestyle



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



1976-2011  
(2<sup>nd</sup> Generation)

**Brief history**

-Started from poultry chicken farming in Bukit Tanah Merah, Melaka in 1970.

-4 Yee brothers managed the poultry farming and distributed eggs to nearby sundry shops (1976). Later, egg production increased to 3000 daily and they started to modernize the 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 it to Malaysia McDonalds (1985).

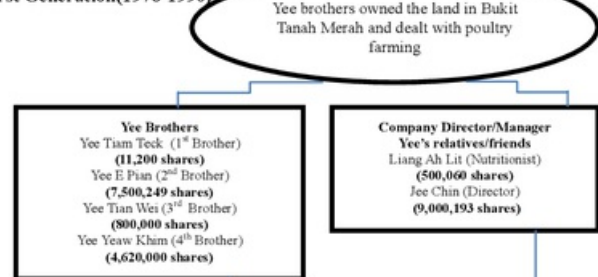
-During Yee brothers leadership, Teck Ping Chan Bhd got listed on the second board (2003) and achieved ISO 9001:2000 certificate (2005) and HACCP (2007) approval by MARDI, Singapore agriculture department and USA FDA to make sure the eggs were of the highest quality (2008).

-Teck Ping Chan Bhd ventured into realty business (2005) and upgraded to TPC Plus with 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 the knowledge learned in agriculture 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)**

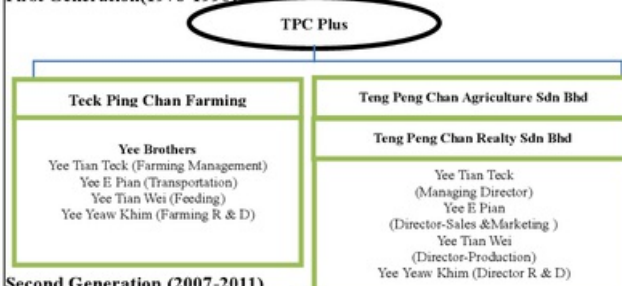


**Second Generation (2007-2011) (LBB owned biggest shareholder, 26,918,000)**

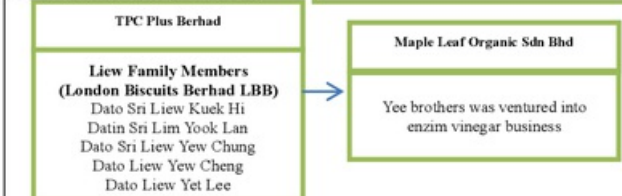







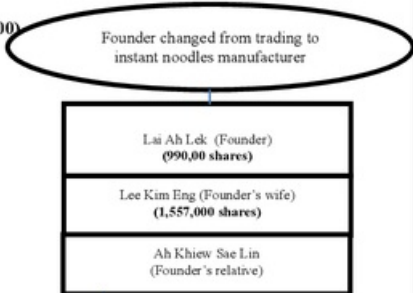

**Family Role in Organization Structure**

**First Generation (1976-1990)**



**Second Generation (2007-2011)**



<p><b>8. Vit Makanan</b> (Medium Scale Enterprise) (Ready to Cook Products) (Instant Noodle)</p> <p><b>Product Manufacturer</b> <b>First Generation (1975-2000)</b> 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 flavor)</p>  <p><b>Second Generation (2001-2011)</b> Vit's Southeast Asia seasoning to promote Malaysia as part of Southeast Asia (Tom Yam, Curry)</p>  <p>Vit's Malaysia uniqueness seasoning (Duck and spicy fried seasoning) to stay competitive in the market</p>  <p>Vit's Malaysia Halal instant noodles to be sold at UK Tesco stores</p> 	<p>1975-2011 (2<sup>nd</sup> Generation)</p>	<p><b>Brief history</b> -Started from Vit Makanan (Alor Star) as Taiwanese food trader in 1975. -Founder started out as Taiwanese food trader (1970-1976) due the great market demand of 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 and by installing in-house machines (1978) and by 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 Asia seasoning (Curry, Tomyam) (1990) and Malaysia seasoning (Spicy fried and Duck flavor) (2000) in the second generation. -Vit used Japan technology to operate 75% capacity output of 300,000 pieces instant noodles and 70,000 air dried noodles (2001) in the second generation. Vit exposed through advertising promotion and setup road show in university (2005). -Lai brothers planned to penetrate into UAE and South Africa (2006) and established warehouse 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 Taiwanese food trader to instant noodles manufacturer with global Halal standards recognition.</p> <p><b>Family Tree</b> <b>First Generation (1975-2000)</b></p>  <p><b>Second Generation (2001-2011)</b></p> <div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid black; padding: 5px; width: 45%;"> <p><b>Directors (Older Generation)</b> Lai Ah Lek (Founder) Lee Kim Eng (Founder's Wife) Ah Khiew Sae Lin (Founder's relative)</p> </div> <div style="border: 1px solid black; padding: 5px; width: 45%;"> <p><b>Director (Young Generation)</b> Ng Lap Liat (Founder's nephew) (353,000 shares) Lai Yeah Tatt (Founder's 2<sup>nd</sup> Son) (300,000 shares) Lai Yak Guan (Founder's 1<sup>st</sup> Son) (300,000 shares)</p> </div> </div> <p><b>Family Role in Organization Structure</b> <b>First Generation (1975-2000)</b> SQF=Square Feet</p>  <p><b>Second Generation (2001-2011)</b></p> <div style="border: 1px solid black; padding: 5px;"> <p><b>Vit Makanan (KL) Sdn Bhd in Rawang - 105,000 SQF</b></p> <p><b>Main advisor</b> Lai Ah Lek, Lee Kim Eng and Ah Khiew Sae Lin</p> <p><b>Directors</b> Lai Yak Guan (Production and Engineering) Lai Yeah Tatt (Business Development-Local &amp; International) Ng Lap Liat (Assistant Financial Director)</p> </div>
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**9. Besfomec**  
(Medium Scale Enterprise)  
(Ready to Buy Products)  
(Chinese Herbs)

**Product Manufacturer**

**First Generation (1948-1974)**

Imported traditional Chinese herbs such as ginseng and cordyceps from China



**Second Generation (1975-2000)**

Produced Besfomec chicken essence as company prime product blended with traditional herbs



Explored bird nest essence with good manufacturing practice (GMP)



Produced vegetarian and dietary supplements from essence products



**Third Generation (2001-2000)**

Promoted health tonic products come with clinical research



Besfomec health supplement products in hamper gift packaging targeted export trading



1948-2011  
(3<sup>rd</sup> Generation)

**Brief history**

-Started as Xin Chun Woh Chinese herb store in Melaka in 1948.  
-Founder came from China and established Chinese medical hall in Melaka. Brought along his 1<sup>st</sup> son, Low Poo Chin, to work as store assistant to analyze the pros and cons of the Chinese herbal healing remedies.  
-Low Poo Chin's managerial style contradicted with the founder who was risk adverse and old fashioned. Low Poo Chin started to produce chicken essence as their core business beside medical hall (1974).  
-During the second generation, Low Poo Chin assisted his brothers to establish essence factory in Alor Gajah, Melaka and produced 60,000 bottles of chicken essence daily (1984) and named as Besfomec Industries with GMP (Good Manufacturing Practice) (1998) aligned with government effort to promote biotechnology and pharmaceutical industries.  
-The products included chicken essence (1986), bird nest essence (1990) and fish and vegetarian essence (1995). The products later distributed to 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 strong quality checking in Hong Kong.  
-During third generation, Low Poo Chin invited his eldest son, Low Chew Ping, who was pharmacist graduate from Australia, to combine western-based pharmaceutical with local Chinese herb remedies (2001). As a result, health tonic (2005) and traditional herbs (2008) were strongly promoted and has been scientifically proven.  
-Knowledge has been developed to fill the gap between traditional Chinese herbs remedies and western medication as essence based health supplements.

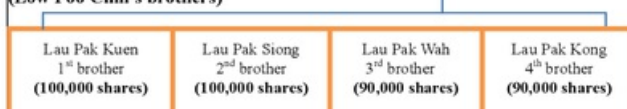
**Family Tree**

**First Generation (1948-1974)**

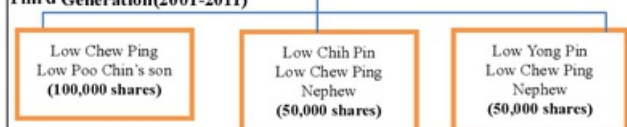


**Second Generation (1975-2000)**

**(Low Poo Chin's brothers)**

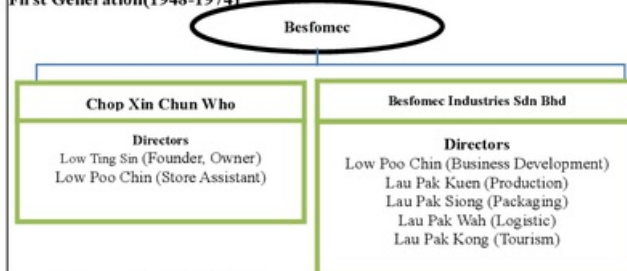


**Third Generation (2001-2011)**



**Family Role in Organization Structure**

**First Generation (1948-1974)**



**Second Generation (2001-2011)**



**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 plant and prepared for food processing



**Second Generation (1994-2000)**

Ventured into Ayam A1 food corporation and chicken chop with 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 confectionery business to produce 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 mooncakes series



1994-2011  
(3<sup>rd</sup> Generation)

**Brief history**

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

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

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

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

-During the third generation, they utilized the resources to avoid high transaction and hidden cost to purchase eggs, flours, chicken. The Lau family opened more outlets, from 2-26 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 hamper (2006). Awards 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 vertical integration strategy to transform from chick farming to food processing and confectionery retail chain.

**Family Tree**

**First Generation (1979-1993)**

Directors of Leong Hup Group Berhad

\*=resigned

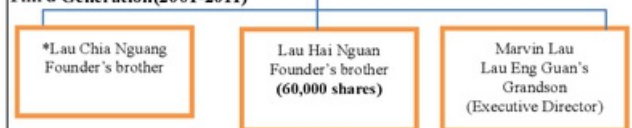


**Second Generation (1994-2000)**

(Low Poo Chin's brothers)



**Third Generation (2001-2011)**



**Family Role in Organization Structure**

**First Generation (1948-1974)**

\*=resigned



**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 recipe from China to produce oriental pastries and sesame oil by inviting chef from China



#### Second Generation (1926-1987)

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



#### Third Generation (2001-2000)

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



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



1865-2011  
(3<sup>rd</sup> Generation)

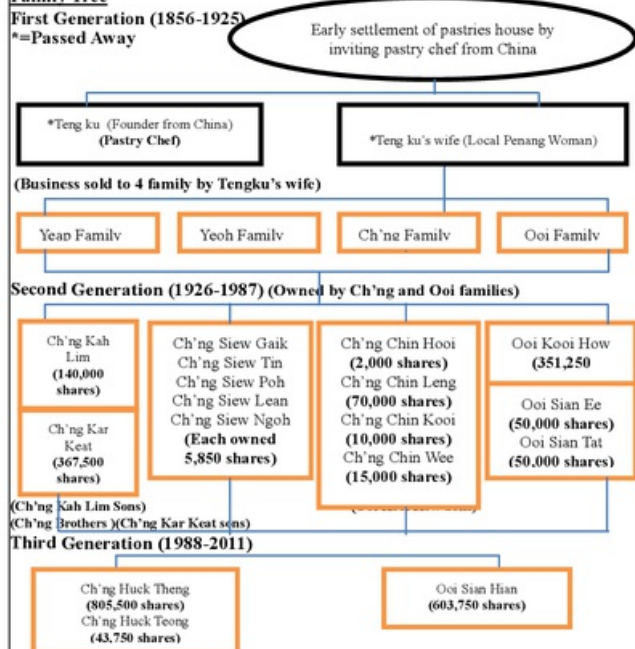
### Brief history

-Started as oriental pastries shop serving Chinese immigrant 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 out for few thousand dollars to 4 friends, Yeap, Yeoh, Ch'ng and Ooi families (1926) when Teng Ku passed away. Only Ooi and Ch'ng family carried on the business, taking stakes of Yeap and Yeoh families (1990) and became largest shareholders. The products ranged from Tau Sar Piah (1856) to sesame oil (1930), coffee powder (1960) and Penang food stuffs (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 collaborative study with University Science of Malaysia (USM) to produce medicine from the sesame seed (2009).  
-3<sup>rd</sup> and 4<sup>th</sup> generations highlighted heritage food and build museum in Penang.  
-Knowledge has been handed down from oriental pastries to second generation of sesame oil into third generation of sesame seed medicine.

### Family Tree

#### First Generation (1856-1925)

\*=Passed Away

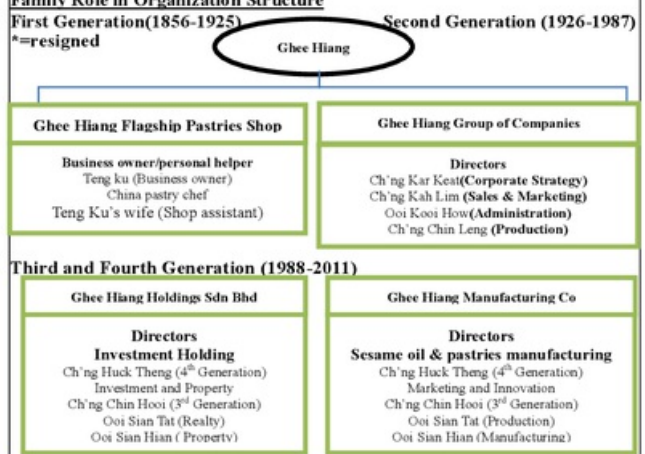


(Ch'ng Kooi How grandson)  
(Ch'ng Kah Lim grandsons)

### Family Role in Organization Structure

#### First Generation (1856-1925)

\*=resigned



**12. Kum Thim**  
(Small Scale Enterprise)  
(Ready to Cook Products)  
(Soy Sauce)

**Product Manufacturer**

**First Generation (1970-1998)**

Produces Kum Thim light soy sauces to be consumed in local restaurants and hawker centers



Upgraded sauce varieties and distributed to seafood restaurants and food operation retail chains



Developed specific sauces to suit local taste in Malaysian food preparation



**Second Generation (1999-2011)**

Repacked the halal sauces and ingredients to serve Malaysian hotel and food operator chains



Ventured into frozen food and Dim Sum to serve local market and export trading



Produced core product of Yee Sang packaging to serve local restaurants and supermarkets as Malaysian cultural food preparation



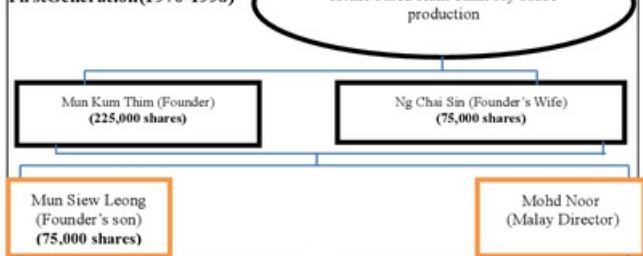
1970-2011  
(2<sup>nd</sup> Generation)

**Brief history**

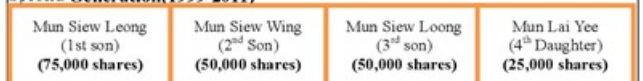
-The founder worked in local restaurant as trainee when aged 15 (1960) and later sought soy sauce-making techniques from the chef familiar with oriental cuisine in steamed dishes (1968). Light soy sauce is main food ingredient. The sauces later distributed to restaurants and hawker centers (1970).  
- Founder established Kum Thim sauce production in a shop lot by adopting founder name as 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 complying with food safety requirements and recognition in Halal certificate (1997), HACCP by IEC, UK & Keris Award (2002) and Golden Bull Award (2003).  
- In second generation, Mun Siew Loong graduated from 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).  
- 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.

**FamilyTree**

**FirstGeneration(1970-1998)**



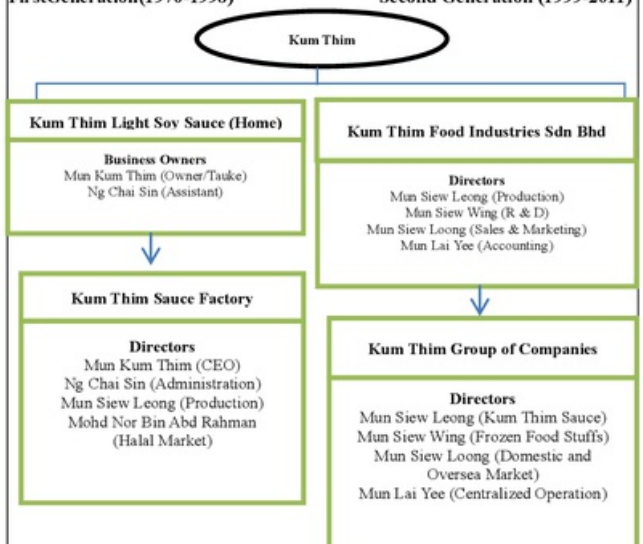
**Second Generation(1999-2011)**









**FamilyRolein OrganizationStructure**


**FirstGeneration(1970-1998)**

**Second Generation (1999-2011)**



<p><b>13. KLT Food</b> (Medium Scale Enterprise) (Ready to Eat Products) (Restaurant and Food Processing)</p> <p><b>Product Manufacturer</b> <b>First Generation (1972-2000)</b> 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 of Kam Lun Tai mooncakes, combination of Hong Kong and Malaysian style</p>  <p><b>Second Generation (2001-201)</b> Focused on food processing to produce KLT Japanese Mochi, egg roll and sauces</p>  <p>Ventured into noodles production and established luxurious noodles house</p>  <p>Produced cooking ingredients and distributed to major restaurant chains and for export</p> 	<p>1972-2011 (2<sup>nd</sup> Generation)</p>	<p><b>Brief history</b></p> <ul style="list-style-type: none"> <li>-Started as a family business selling fried Kuey Tiew in KL since 1960.</li> <li>-The founder worked as an assistant in the restaurant (1962) and learned to make dim sum in "Xuang Yin Zhai" (1965) and in "Xin Liang Feng" oriental restaurant (1968) to learn noodles (1969) and mooncakes (1970).</li> <li>- Founder opened "Loy Kee" Hong Kong dim sum restaurant (1971) in central market after learning from 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 snack and dim sum (1972).</li> <li>- Founder opened Kam Lun Tai dim sum restaurant at Seri Petaling, Selayang &amp; Klang (1978); partnership with friends in opening seafood restaurant, noodles house and Japanese Sushi restaurant (1985). Founder later ventured into mooncakes by using Japanese technology (1980) and started to produce egg rolls (1984), Japanese Mochi (1988) and wedding biscuits (1990).</li> <li>-Kam Lun Tai received 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) and ventured into property development (1995).</li> <li>-During the second generation, founder's daughter helped to operate restaurant chain and established Guardian Catering Service (2002) and 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). 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).</li> <li>-Knowledge has been nurtured from hawker stall cooking experience to restaurant chain and catering service and ventured into KLT food industries.</li> </ul> <p><b>Family Tree</b></p> <p><b>First Generation (1972-2000)</b></p> <pre> graph TD     A([Early establishment of the hawker stall business]) --&gt; B[Lum Tuck Loy (Founder) (250,000 shares)]     A --&gt; C[Lee Pooi Lin (Founder's wife) (250,000 shares)]     B --&gt; D[*Lum Wai Ming (Founder's Daughter)]     B --&gt; E[Lum Kah Seng (Founder's Son)]   </pre> <p><b>Second Generation (2001-2011) *Resigned</b></p> <p><b>Family Role in Organization Structure</b></p> <p><b>First Generation (1972-2000) *resigned</b></p> <p><b>Second Generation (2001-2011)</b></p> <pre> graph TD     A([Kam Lun Tai]) --&gt; B[Tuck Loy Hawker Stall]     A --&gt; C[Kam Lun Tai Group of Companies]     B --&gt; D[Kam Lun Tai Restaurant (Sri Petaling and Klang branch)]     C --&gt; E[Kam Lun Tai Cake House]     C --&gt; F[KLT Food Industries Sdn Bhd]     D --&gt; G[Directors: Lum Tuck Loy (CEO), Lee Pooi Lin (Administration)]     E --&gt; H[Directors: Lum Tuck Loy (CEO), Lee Pooi Lin (Administration), *Lum Wai Ming (Operation), Lum Kah Seng (Sales and Marketing)]     F --&gt; I[Directors: Lum Tuck Loy (CEO), Lee Pooi Lin (Administration), *Lum Wai Ming (Operation), Lum Kah Seng (Sales and Marketing)]   </pre>
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<p><b>14. Red House</b> (Small Scale Enterprise) (Ready to Drink Products) (Cordials)</p> <p><b>Product Manufacturer</b> <b>First Generation (1964-1989)</b> 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><b>Second Generation (1990-2011)</b> 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 (2<sup>nd</sup> Generation)</p>	<p><b>Brief history</b></p> <ul style="list-style-type: none"> <li>-Started Red Horse, through van sales to distribute concentrate juice in 1964.</li> <li>- Founder started out as home-based business by bringing in sons as assistants and part-timers to be involved in processing chain. The fruit juice concentrates later distributed to sundry shops and canteens (1970).</li> <li>-The cordials later distributed to government bodies (1975), police stations (1977) and army camps (1980) to cater to special event celebrations.</li> <li>-They later established Red Horse juice manufacturer in Taman Kepong (1978) and distributed Red Horse products range, from squashes, cordials and syrups with 13 flavors (tropical fruit juice concentrate), to Malaysia, Brunei &amp; Singapore (1981).</li> <li>-They distributed "Nikmat" concentrated syrups in 6 flavors to cater to Arab countries (1989) aligned with promotion in Middle East.</li> <li>-During the second generation, 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.</li> <li>- Founder remained as large shareholder and established Hon Nyit Sin and Sons Realty as rental collection to accumulate capital. However, they remained as fruit juice cordials manufacturer. They provided customization or special packaging to cater to overseas market (2002).</li> <li>-Knowledge has been developed from vendor of juice cordials to fruit juice concentrate manufacturer with different trademarks to cater to different markets.</li> </ul> <p><b>Family Tree</b></p> <p><b>First Generation (1964-1989)</b> *owned 82,250 shares in Hon Nyit Sin &amp; Sons Realty</p>  <p><b>Second Generation (1990-2011) *Resigned</b></p> <p><b>Family Role in Organization Structure</b></p> <p><b>First Generation (1972-2000)</b>      <b>Second Generation (2001-2011)</b></p> 
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<p><b>15. Hei Hwang</b> (Small Scale Enterprise) (Ready to Buy Products) (Coffee)</p> <p><b>Product Manufacturer</b> <b>First Generation (1975-2011)</b> Produced home-based herbal drinks to cater to local community who sought traditional remedies from herbs</p>  <p>Packed the herbal drinks in private labelling with longer shelf life</p>  <p>Explored opportunities to bring Ipoh white coffee series in instant packaging named as Hei Hwang</p>  <p><b>Second Generation (2002-2011)</b> 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 clean powder with fruit ingredients going through the dehydration process</p> 	<p>1975-2011 (2<sup>nd</sup> Generation)</p>	<p><b>Brief history</b></p> <ul style="list-style-type: none"> <li>-Started as traditional herbal drinks shop in Ipoh, Perak around 1965.</li> <li>-The founder invited his brothers to join the business, from production, packaging, delivery and logistic to serve local community by preparing herbal drinks blended with different herbs. The shop closed down due to shortage of supplies and unsatisfied quality of Chinese herbs imported from China.</li> <li>-They established Hei Hwang Food Industries (1975), dealt with aroma taste of Ipoh Coffee. Ipohites are known to purvey a finer delicate taste for their food and beverages. The founder insists coffee should always be brewed from 100% Ipoh White coffee beans.</li> <li>- Founder brought in Taiwan machine and produced instant Ipoh coffee powder with longer shelf life. Founder produced Hei Hwang Black Coffee (1978) at the beginning stage and later upgraded into instant white coffee (1980), instant white coffee junior (1982), milk tea (1985). Later bought land in Guangdong and the instant white coffeewas shipped to China market, in line with China's open door policy (1990).</li> <li>-During the second generation, founder's sons joined the business and produced Vietnam 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 clean powder (2008).</li> <li>- Sons utilized land bought in Guangdong by setting up factory warehouse to select best sesame seeds, oats, soy beans, ginger and walnutsfor food processing in Malaysia and assigned dealership to China and Singapore.</li> <li>-Knowledge has been transformed from Chinese herbal drinks to Hei Hwang unique Ipoh instant coffee, health supplementsand organic foods.</li> </ul> <p><b>Family Tree</b></p> <p><b>FirstGeneration(1975-2001)</b></p> <pre> graph TD     A([Early establishment of Daiyo Food Industries (Herbal Shop)]) --&gt; B[Lee Hock Nee (Founder) (189,998 shares)]     A --&gt; C[Chan Sau Leng (Founder's wife) (82,250 shares)]     B --&gt; D[Lee Hock Kee (2nd brother) (50,000 shares)]     B --&gt; E[Lee Hock Tow (3rd brother) (50,000 shares)]     B --&gt; F[Lee Hock Pan (4th Brother) (50,000 shares)]     B --&gt; G[Lee Hock Shim (5th Brother) (50,000 shares)]   </pre> <p><b>Second Generation(2002-2011)</b></p> <pre> graph TD     H[Lee Hock Nee (Founder) (383,200 shares)] --&gt; I[Chau Sau Leng (Wife) (310,000 shares)]     H --&gt; J[Lee Haw Yuan (1st Son) (519,900 shares)]     H --&gt; K[Lee Haw Huang (2nd Son) (519,900 shares)]   </pre> <p><b>Family Role in Organization Structure</b></p> <p><b>First Generation(1975-2001)</b></p> <pre> graph TD     L([Hei Hwang]) --&gt; M[Daiyo Food Industries (M) Sdn Bhd]     L --&gt; N[Hei Hwang Food Industries (Ipoh Based)]     M --&gt; O[Hei Hwang Food Industries]     N --&gt; P[Hei Hwang Food Industries (China)]   </pre> <p><b>Directors</b> Lee Hock Nee (Business owner) Chan Sau Leng (Shop Assistant) Lee Hock Kee (Production) Lee Hock Tow (Operation) Lee Hock Pan (Packaging) Lee Hock Shim (Logistic)</p> <p><b>Directors</b> <b>Coffee and Health Supplements</b> Lee Hock Nee (CEO) Chan Sau Leng (Administration) Lee Haw Yuan (Internal Operation) Lee Haw Huang (External Operation)</p> <p><b>Directors</b> <b>Ipoh Coffee Powder (China) Distributor</b> Lee Haw Yuan (Factory Operation) Lee Haw Huang (Export Division)</p>
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**16. Eng Hup Seng**  
(Small Scale Enterprise)  
(Ready to Cook Products)  
(Sesame Oil)

**Product Manufacturer**

**First Generation (1987-2000)**

Produced home-based sesame oil, made solely from traditional recipe



Produced Mother brand sesame oil in bottles and tins that achieved acceptance in domestic market



Produced soy sauces, vinegar series, bean paste and oyster sauce for hotels and restaurants



**Second Generation (2001-2011)**

Produced and repacked the sauces to cater to local supermarket retail chains



Ventured into contract manufacturing and sold in bulk to local largest food processing sector



Enhanced private labelling and customization to distribute overseas - Asian food market



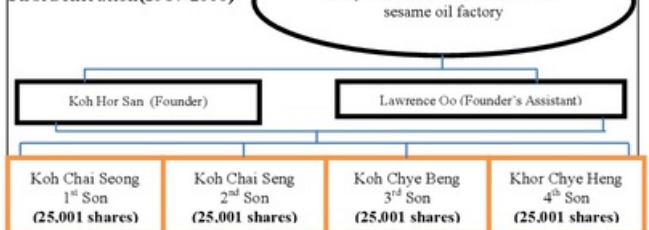
1987-2011  
(2<sup>nd</sup> Generation)

**Brief history**

-Started as traditional sesame oil producer in 1960.  
-The founder produced home-based sesame oil and distributed to households and hawkers 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 greatly involved in production, sales and marketing. To compete with other sauce manufacturer such as Lee Kum Kee, ELS and Bobo, sons make sure their products always contained high nutritional value to penetrate into Malaysian supermarket retail chains such as Jusco (2000), Giant Supermarket (2002), Econsave (2005) and Carrefour (2006). Founder's elder son was even able to deliver sample products to overseas markets, such as 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 under stringent quality control.  
-Knowledge has been developed from traditional sesame oil production to sauces production with private labelling and contract manufacturing.

**Family Tree**

**First Generation (1987-2000)**



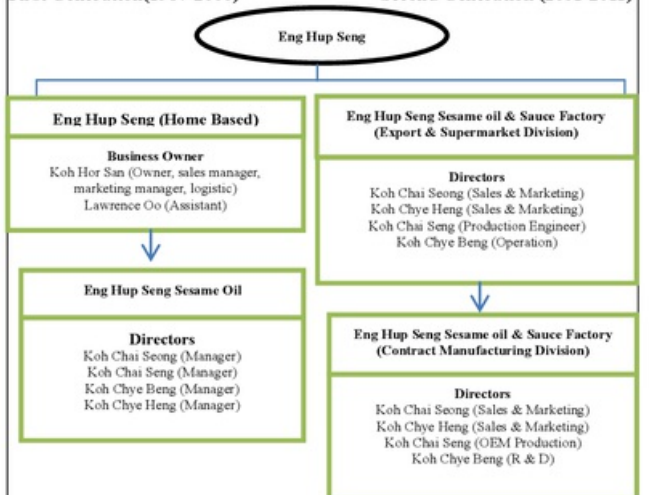
**Second Generation (2001-2011)**







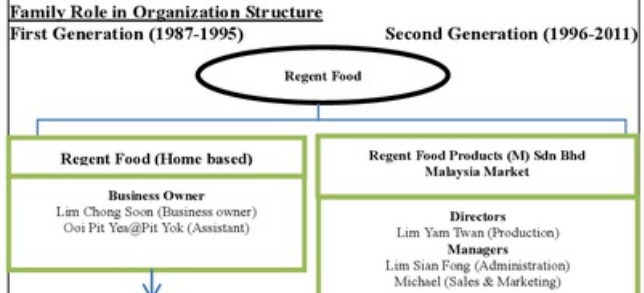



**Family Role in Organization Structure**

**First Generation (1987-2000)**

**Second Generation (2001-2011)**



<p><b>17. Regent Food</b> (Small Scale Enterprise) (Ready to Eat Products) (Sesame Oil)</p> <p><b>Product Manufacturer</b> <b>First Generation (1987-1995)</b> Home-based nuts fried and mostly supplied to school canteens and hawkers centers</p>  <p>Produced roasted peanuts, broad beans and chick peas by adopting temperature control oven method</p>  <p>Produced roasted cashew and Macadamia nuts to suit consumer demand of western nut products</p>  <p><b>Second Generation (1996-2011)</b> Added Wasabi and Spicy flavor during nut processing and became pioneer of nut production in Southeast Asia market</p>  <p>Added chicken and Satay flavor to cater to Asian market with special packaging</p>  <p>Coated with black beans and Hawaii mixed nuts, adopted technology from USA and European markets</p> 	<p>1987-2011 (2<sup>nd</sup> Generation)</p>	<p><b>Brief history</b></p> <ul style="list-style-type: none"> <li>-Started from home-based nuts fried and supplied to school canteens since 1970.</li> <li>-The founder participated as a member of Malaysia Foodstuffs and Toys Merchants' Association (1975) and built up strong networking with the association to obtain the license to establish Regent Food Products (1987).</li> <li>- Founder selects quality raw peas from Malaysia (1978), Indonesia (1980), Sri Lanka (1985), Myanmar (1988), China (1990) and Cambodia (1992) and undergoes stringent quality control. 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).</li> <li>- Founder upgraded from traditional black color frying wok to temperature control roasted oven (1992) to produce large quantity of nut peas.</li> <li>-During second generation, with better education background in food technology, founder's sons and daughter implemented dry roasting techniques (1997) and specialized roaster (1998) to enhance the scent and taste of some spices and flavors with adding spicy herbs (1999), chicken flavor (2000), satay flavor (2002) and wasabi (2004). They were able to distribute their processed nut peas to Southeast Asia market (1998), Asia market (2000) and Australia market (2005), since Regent introduced fumigation method (2003).</li> <li>- Second generation produced coated black beans (2006) and Hawaii mix nuts (2007) to target health conscious market with export packaging size to target Arab countries (2007), USA (2008) and China (2009)</li> <li>-Knowledge has been enriched from stir fry methods to temperature control roasted method by adding herbs and flavor to explore export business.</li> </ul> <p><b>Family Tree</b></p> <p><b>First Generation (1987-1995)</b></p>  <p><b>Second Generation (1996-2011)</b></p>  <p><b>Family Role in Organization Structure</b></p> <p><b>First Generation (1987-1995)</b></p>  <p><b>Second Generation (1996-2011)</b></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 trainee, hawker stall keeper, and street vendors, to become large global enterprises. This has been achieved primarily by codifying the tacit knowledge of the founder generation into commercialized value-added products during the next generation. The next generation took the tacit knowledge to a new level by investing in R&D, allowing the family enterprise in the process to expand its client base to remain competitive in the marketplace as well as eventually develop value-added branded products.

The founders from Eu Yan Sang and Besfomec always make use of their knowledge as physicians to combine herbs to create products that served early Chinese immigrant who suffered from opium consumption or illnesses while working in the mining industry around 1800 to 1930. From the product 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 Chinese traditional medical practices. However, both family SMEs faced obstacles to introduce the formula of TCM (Traditional Chinese Medicine) in the market. Therefore, the next generation from Eu Yan Sang joint 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 served as an opportunity to standardize its range of TCM herbs essence and supplements to make more substantive claims about 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 the western countries. A majority of the products by these SMEs were prepared by trained chefs who used the finest ingredients in Malaysia, particularly after having attained international recognition. For King's Confectionery, when Wong Yoke Khing established her first flagship store in Kepong, 1973, little did she know that it would one day spin off as one of the largest confectionery chain in Malaysia. With the 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 by 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 75 per cent 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, pastries 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 centuries old recipes from Fujian, China. This has helped Ghee Hiang to become a Penang heritage food product. As Ooi Sian Hian, CEO of Ghee Hiang and a 3<sup>rd</sup> 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 Pneath<sup>36</sup>."*

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<sup>36</sup> Interview on 11 July 2011 and conducted in Ghee Hiang's office, Macalister Road, Penang.

In terms of organization structure, 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 under stringent control in line with the tacit knowledge in physician and herb remedies passed down by the founder when they first established the Xin Chun Woh medical hall in Melaka. As for Hei Hwang, the Lee brothers from this enterprise successfully adapted the 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 healthy beverages, primarily through contract farming in China by utilizing the land bought in Guangdong.

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 involving keeping the family involved in the business may mean that the firm will end up with incompetent family members making key decisions. Wong (1988) 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 exception 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. When Wong Ley Hoi managed the business, more family members joined to manage up to 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 sales, marketing and accounting 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 company from China.

This unity of purpose, as shown by the 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, allowing 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 includes one where the business retained its unique knowledge skills allowing 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 of USA mass marketing chains in Asian food. In the case of Ghee Hiang, Ch'ng and Ooi family members served long tenures in the board of directors since they were more familiar with the sesame oil and pastries production adopted from traditional recipe. In the case of Tatawa, they nurtured food technology to develop new products such as Tianje mooncakes and adopted ideas from private labelling of Japanese biscuits.

Maintaining tight control of the family business impairs the use of professional help. The changes introduced by the second generation had a bearing on managerial style 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 founders<sup>37</sup>. Managerial decision-making became more complex with the emergence of the third generation, given the growing number of family members, the so-called cousin consortium, that were joining the enterprise<sup>38</sup>.

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<sup>37</sup> Tan Leong Chai, Laksamana's CEO, and Lee Haw Huang, Hei Hwang's CEO, both mentioned that they were risk reverse. Both these companies were focusing on establishing new manufacturing plant for their new products.

<sup>38</sup> Interview with the third generation, 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 the triggering event that contributed to a major change of the enterprise. This event would lead to different forms of development across generations, as well as help 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 as indicated in Table 5.3 triggering change was market demand, due to changing market trend. 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, their important 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, relates to the credibility of Chinese herb remedies. "Ghee Hiang" was associated with the good aroma taste of sesame oil. And, "Red Horse" symbolized the firm's juice and beverages production methods which were shaped through creative technology that brought out the natural goodness of the juice. Such a tradition 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 Smes in Food Production

Family Enterprises/ Business Nature	Enterprise Type	Year establishment/ Generation/ Succession	of	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 <sup>rd</sup> Generation) (Father-Cousin)		Started from herbs medical hall in Perak	Triggered by immigrant Chinese in Malaya who had skills for physician care	Changed to Eu Yan Sang herbal and health care retail chain	Professional management with mentor in medicine and science profession	Joint forces with Oxford Natural Product to develop new supplements
2. Khong Guan (Biscuits)	Large Enterprise	1937-2011 (3 <sup>rd</sup> Generation) (Father-Nephew)		Started from commodities trader in Southeast Asia	Triggered by large mass demand for biscuits as primary food	Changed to Asian Khong Guan group with mass marketing chain	Retaining management with directors experienced in investment	Sign agreement with Arnotts to venture into overseas and Asian snacks
3. London Biscuit (Biscuits)	Large Enterprise	1994-2011 (2 <sup>nd</sup> Generation) (Father-Son)		Started as timber merchant trading	Triggered by entrepreneurial dynamics, an issue studied by second generation at Singapore University	Changed to London Biscuit and largest roll cake production in Southeast Asia	Professional management led by professional second generation and Chief Operating Officer	Mastering new technology in instant confectioneries and candies, through acquisition
4. Tatawa (Biscuits)	Medium Enterprise	1981-2011 (2 <sup>nd</sup> Generation) (Father-Nephew)		Started as traditional wedding pastries house	Triggered by private labelling in biscuits production from Japan	Changed to private labelling and export based biscuits 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 <sup>nd</sup> Generation) (Father-Daughter-Son)		Started as hawker style coffee shop in Rawang	Triggered by personal passion and interest to make pastries	Changed to 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 <sup>nd</sup> Generation) (Father-Son-Daughter)		Started as home based noodles production in Anpang	Triggered by market demand for halal noodles, Malaysia style	Changed to halal-based cleanest noodles production	Family management with foreign ownership from Thailand	Cleanest Halal noodles and venture into Chinese Muslim café
7. TPC Plus (Egg)	Large Enterprise	1976-2011 (2 <sup>nd</sup> Generation) (Brother-Outsider)		Started as 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 and remained as egg poultry producer	Ventured into enzyme vinegar biotechnology after being sold to Lonbisco
8. Vit Makanan (Noodles)	Medium Enterprise	1975-2011 (2 <sup>nd</sup> Generation) (Father-Son)		Started as Taiwanese foods trader in Kedah	Triggered by market demand for instant noodle	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 <sup>rd</sup> Generation) (Father-Son-Nephew)	Started as 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 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 <sup>rd</sup> Generation) (Father-Son-Grandson)	Started as back yard day old chick farming	Triggered by booming industry of processed food retail chain	Changed to bakeries retailer as subsidiary, 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 <sup>rd</sup> Generation) (Father-Friends)	Started as oriental pastries shop for immigrants	Triggered by promotion of Penang heritage food stuffs	Changed to Penang heritage food and R&D in sesame seeds	Tight ownership control with elderly family members	Protect old recipe and Penang heritage food stuffs
12. Kum Thim (Soy Sauce)	Small Enterprise	1970-2011 (2 <sup>nd</sup> Generation) (Father-Son)	Started as 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 venture with China Jiang's group to achieve quality food management	New direction to penetrate into Halal food, Dim Sum and frozen food
13. KLT Food (Restaurant)	Small Enterprise	1972-2011 (2 <sup>nd</sup> Generation) (Father-Daughter-Son)	Started as 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 and in food industry	Cooperated with A1 fabulous food to split into restaurant and food production	New direction to promote localized catering and KLT food stuffs and mooncakes
14. Red Horse (Cordials)	Small Enterprise	1964-2011 (2 <sup>nd</sup> Generation) (Father-Son)	Started as concentrate juice distributor	Triggered by strong demand from government bodies	Changed to 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 <sup>nd</sup> Generation) (Father-Son)	Started as herbs and herbal drink distributor in Ipoh	Triggered by popularity of Ipoh white coffee	Changed to instant coffee packs and powder 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 <sup>nd</sup> Generation) (Father-Son)	Started as traditional home-based sesame oil producer	Triggered by acceptance by market for new types of sauces	Changed to contract manufacturing in sauces 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 <sup>nd</sup> Generation) (Father-Son)	Started as 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 the 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, managerial training which aided technology upgrading. Moreover, the next generation was interested in private labelling, developing export capacity and the Halal market. Having grown up in the family business environment, they had extensive knowledge which enabled them to decide how to effectively change the enterprise towards one that was involved in contract manufacturing and export trading. Ken Hon Kah Khain, second generation CEO from Red Horse reiterated this point well during the interview when he said

*"We remain intent on producing just a single product because we want to make our focus about what kind of appropriate technology can be implemented to target various market demands ranging from export to the Halal market"<sup>39</sup>.*"

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 the 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 better through sound education so that they had 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, would insist on a traditional natural fermentation process adopted from a recipe to convey Malaysian taste; this would emerge as a leading brand in the Asian Pacific region. The next generation upgraded the product quality to comply with worldwide food safety requirements. It would help that Kum Thim cooperated with the Jiang group to develop new Asian authentic sauces as well as Halal frozen food, Dim Sum and Yee San

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<sup>39</sup> Interview on 13 November 2011 and conducted in Red Horse Factory, Taman Kepong, Kuala Lumpur.

varieties, a delicacy common in locally celebrated reunion meals during the Chinese New Year. The next generation attempted 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 the actively engaging with and promoting technology, including with 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, strong market demand for Malaysian specialties, 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 since unique Malaysian food products was 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 since there has been great demand. 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

penetrate international markets as one of Malaysia's SMEs brand of Halal instant noodles. The changing market demand for processed food or bakeries 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 the operation to reduce the cost of production and increase the competitiveness of their products in the bakeries and confectionery industry.

## **5.6 Business History, Firm Size and Family Role**

Table 5.4 shows that the some family business owners tend to retain leadership authority and this is manifested in the large power distance between the family business leaders and their staff. As family firms are passed from one generation to the next, a cycle of fragmentation occurs. This fragmentation of capital may lead to an increased vulnerability of the companies 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 the family members of these SMEs are placed at the top position. A clan-based type organization structure played an important role during founder. 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 working with specialists in different areas, such as herbalists, engineers, professional Chief Operating Officers (COO) and foreign partners to build the quality of their tacit knowledge. Large-scale enterprises were more likely to turn from family business 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

Size and Age of Family Enterprise	Brief History in Family Enterprises	Family Tree in Family Enterprises	Family Role in Family Enterprises
<b>Large-Scale Enterprise</b> (London, Khong Guan, Eu Yan Sang, Baker's Cottage, TPC Plus)	<p><b>From First to the Next Generation</b></p> <p><b>Start-up:</b> Started as ethnic enterprise to serve local community products such as herbs, biscuits, poultry and canned food.</p> <p><b>Change:</b> Emerged as largest Southeast Asian food production firms serving Asian or non-Asian market, demand for products such as Eu Yan Sang herbals and London Roll Cakes.</p>	<p><b>From First to the Next Generation</b></p> <p><b>Family Tree:</b> Founder introduced 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 incorporated foreign partnerships.</p>	<p><b>From First to the Next Generation</b></p> <p><b>Family Role:</b> Family members fully relying on Chief Operating Officer (COO) to handle management, marketing and manufacturing. Started to recruit professional COO with different working experience and ventured into diversified business activities.</p>
<b>Medium-Scale Enterprise</b> (Titawa, King's Confectionery, KLT Food, Laksamana Usaha, Vit Makanan, Besfomee and Kum Thim)	<p><b>From First to the Next Generation</b></p> <p><b>Start-up:</b> Started as traditional home-based food producers of noodles, biscuits, pastries, mooncakes and health supplements based on tacit knowledge.</p> <p><b>Change:</b> Became unique brand in food production such as Vit's instant noodles, Besfomee essence, King's pastries, Kum Lun Tai restaurant, Laksamana noodles and Ghee Hiang sesame oil.</p>	<p><b>From First to the Next Generation</b></p> <p><b>Family Tree:</b> Founders' heirs placed at the top position. However, the next generation adopted sibling partnership and given full autonomy to run the enterprise. Family members used to monitor other subsidiaries or branches related to the primary business.</p>	<p><b>From First to the Next Generation</b></p> <p><b>Family Role:</b> Family members fully relying on personal experience or educational background to develop tacit knowledge into commercialized business in the area of pharmacy, tourism, IT networking, retailing, hospitality, restaurants and lifestyle cafés.</p>
<b>Small-Scale Enterprise</b> (Red Horse, Hei Hwang, Regent Food, Eng Hup Seng, Ghee Hiang)	<p><b>From First to the Next Generation</b></p> <p><b>Start-up:</b> Started as home-based food producers of peanuts, concentrated juice, sesame oil, biscuits and sauces with strong influence from founder's family background.</p> <p><b>Change:</b> Changed to contract manufacturing in food production to create niche market such as Hei Hwang Ipoh white coffee, Ghee Hiang biscuits, Regents peanuts.</p>	<p><b>From First to the Next Generation</b></p> <p><b>Family Tree:</b> Founders' heirs still had generational shadow and under founder's influence during decision-making. Heirs trained from early childhood; seen in Hei Hwang, Red Horse, Regent and Eng Hup Seng.</p>	<p><b>From First to the Next Generation</b></p> <p><b>Family Role:</b> Family members fully relying on export trading to explore business opportunities in Southeast Asia, UAE and European countries. Very few family members wanted to stay longer due to long working hours and repetitive and boring job tasks.</p>

They are special cases among the 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, adopted same tacit knowledge from their previous industry 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 managed to build a strong reputation in the domestic market based on creating their unique core products or branded products. Vit Makanan and King’s Confectionery are a good case in point. Since the small scale family SMEs in the food production usually started out as a cottage business, the founders’ tacit knowledge in the food production was 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 tended to produce single products because they were 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 home-based business that they inherited into a prominent private label such that they would be able to export their food products to international buyers and customers.

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

stressed and highlighted the practice of tradition 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 well the 3Ms that were adapted to the local market environment, a factor contributing 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 had 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 with enthusiasm to make their traditional business more contemporary and more relevant to the lifestyle of this current generation (see Figure 5.2). In the case of Eu Yan Sang, they were responsible for presenting the traditional herbs as ready-to-

consume capsules, pills, or powders linked with Eastern-based herb remedies and Western evidence-based 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-type biscuits, Western assorted biscuits, Nutrifood and charming food stuffs. Revenue grew after Khong Guan established sales office in Southeast Asia, China and the United States. London Biscuits invested heavily in plant and machinery, a factor that would contribute it achieving an increase in pre-tax profits, from RM12.2 million in 2004 to RM14.6 million in 2007<sup>40</sup>.

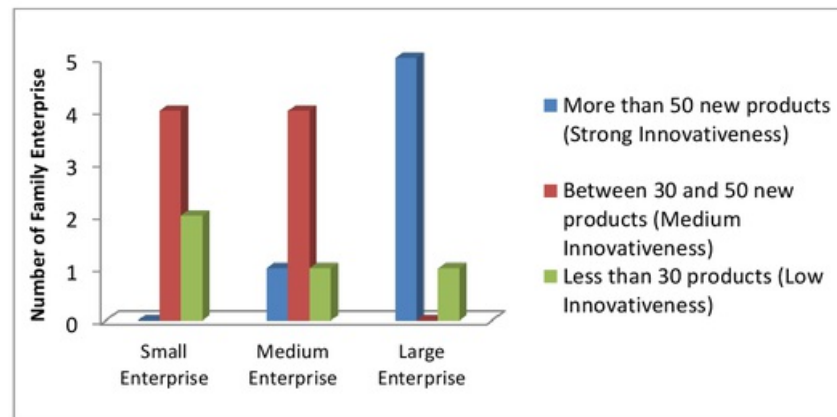


Figure 5.2: New Product Development in Small, Medium and Large Food Smes across Generations

Regent Food and Red Horse as shown in Table 5.5, on the other hand, tended to shy away from uncertain projects, as well as high investment expenditure on R&D that did 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, they are exceptional cases such as Ghee Hiang, which collaborated with a higher learning institution, University of Science Malaysia (USM), as it was committed to their

<sup>40</sup>Profit and loss account from Tatawa financial statement, 2004-2007, SSM.

development of their product as a Penang heritage food; this was to be done through R&D that focused on the sesame seed. The next generation in KLT Food realized the importance of developing a uniquely Malaysia 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 product, manufactured from instant coffee products, as well as 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, typically had 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 was 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 most of the case studies in the 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, probably the most innovative of 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 an abandonment of their Hainanese cultural heritage<sup>41</sup>. King’s Confectionery registered a remarkable rise in plant and machinery cost, from RM17.12 million in 2003 to RM21.12 million in 2007<sup>42</sup>, invested to restructure the management to produce a series of equipment, uniform, machinery and platform to be used in their Confectionery retail chain. This eventually contributed to a rise in pre-tax profits, from RM2.39 million in 2003 to RM3.06 million in 2007<sup>43</sup>. Yet, because of their differences in professional background and prior exposure to “modern” Western management practices, they were comfortable adopting these practices and often deliberately enlisted the help of nonfamily Chief Operating Officers to be “change agents”.






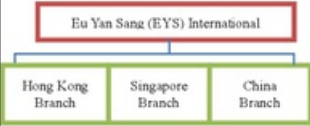


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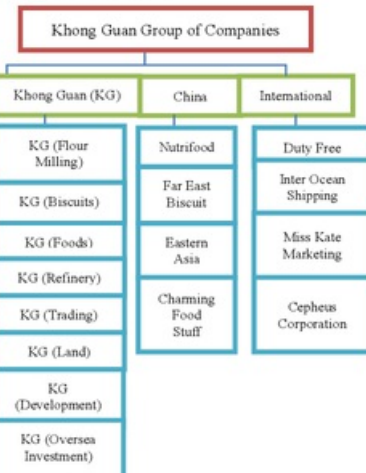
<sup>41</sup>The term ‘Hainanese’ refers a native or inhabitant of the island of Hainan in China. Hainanese communities first migrated to Malaya from Hainan in the mid-19th century. Although they form only a small sub-ethnic Chinese community in Malaysia, their cafés, popularly known as kopitiams, had a distinctive cooking style and soon became ubiquitous in the country.





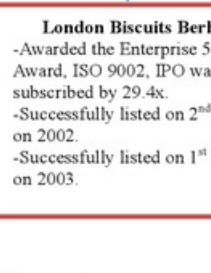
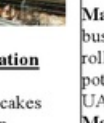
<sup>42</sup> Property, plant and equipment cost from King’s financial statement, 2003-2007, SSM.








<sup>43</sup> 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
<p><b>I. Eu Yan Sang (EYS)</b> (Large Scale Enterprise) (1842-2011)</p> <p><b>First Generation</b> (Objective) Develop marketable traditional Chinese herbs Commencement stage</p>  <p><b>Second Generation</b> (Objective) To diversify Eu family business empire. Development stage</p>  <p><b>Third Generation</b> (Objective) To be a leader in traditional Chinese medicine (TCM). Survival stage</p>  <p><b>Upcoming Generation</b> (Objective) Established Eu Yan Sang convenience stores &amp; TCM clinics. Renewal stage</p> 	<p><b>First Generation</b></p> <p><b>Marketing:</b> Distribution targeted on tin-mining workers.</p> <p><b>Manufacturing:</b> Equipped with herb remedies.</p> <p><b>Management:</b> Family management and hired herbalist from China.</p> <p><b>Second Generation</b></p> <p><b>Marketing:</b> Diversifies activities into rubber, real estate &amp; trading.</p> <p><b>Manufacturing:</b> Equipped with international expansion business experience.</p> <p><b>Management:</b> Management reported to the Eu family.</p> <p><b>Third Generations</b></p> <p><b>Marketing:</b> Distribution to overseas Chinese market and countries.</p> <p><b>Manufacturing:</b> Equipped with semi-auto machines to make Traditional Chinese Medicine.</p> <p><b>Management:</b> Retained the experienced personnel and implemented central administrative system.</p> <p><b>Upcoming Generations</b></p> <p><b>Marketing:</b> New distribution linked with east and west.</p> <p><b>Manufacturing:</b> Equipped with western scientific approach to produce evident based medicine.</p> <p><b>Management:</b> Professional Management and designed corporatized organization structure.</p>	<p><b>First Generation</b></p> <p><b>Strategy:</b> EYS used herbal concoctions to alleviate aches suffered from opium targeted the tin mining workers in Malaya and most of them came from China.</p> <p><b>Second Generation</b></p> <p><b>Strategy:</b> EYS increased wealth to involve in different business and opened medical hall in overseas Chinese.</p> <p><b>Third Generations</b></p> <p><b>Strategy:</b> EYS oversee the group's manufacturing operations and product development to choose best herbs from overseas Chinese.</p> <p><b>Upcoming Generation</b></p> <p><b>Strategy:</b> Moderately improved R&amp;D to develop innovative therapeutic formulation for specific ailments.</p>	<p><b>First Generation</b></p> <p><b>Enterprise Development:</b> Constantly imported herbs from China and opened Yan Sang medical shop.</p>  <p><b>Second Generation</b></p> <p><b>Enterprise Development:</b> Constantly diversified into international business.</p>  <p><b>Third Generation</b></p> <p><b>Enterprise Development:</b> Frequently upgrades products with latest technology to produce different Chinese medicines.</p>  <p><b>Upcoming Generation</b></p> <p><b>Enterprise Development:</b> Frequently produced health care products linked with east and west.</p> 







<p><b>2. Khong Guan</b> (Large Scale Enterprise) (1937-2011)</p> <p><b>First Generation</b> <b>(Objective)</b> Produce biscuits at post war period. Existence Stage</p>  <p><b>Second Generation</b> <b>(Objective)</b> To diversify the business related to primary business Survival Stage</p>  <p><b>Third Generation</b> <b>(Objective)</b> Promoted Khong Guan into multi international business trading Success Stage</p> 	<p><b>First Generation</b></p> <p><b>Marketing:</b> Distribution targeted on Chinese immigrant at post war period.</p> <p><b>Manufacturing:</b> Equipped with old metal scrap by using bicycle chain connected to the oven.</p> <p><b>Management:</b> Family management and hired schoolmates from China.</p> <p><b>Second Generation</b></p> <p><b>Marketing:</b> Diversifies activities into property and flour milling sector.</p> <p><b>Manufacturing:</b> Equipped with flour milling technology accessed to Australia Arnotts recipe.</p> <p><b>Management:</b> Professional management and recruited non family based managers.</p> <p><b>Third Generations</b></p> <p><b>Marketing:</b> Distribution to International and China market.</p> <p><b>Manufacturing:</b> Equipped with sophisticated machines to produce biscuits and shared the food culture in the global marketplace.</p> <p><b>Management:</b> Professional management under worldwide associate companies.</p>	<p><b>First Generation</b></p> <p><b>Strategy:</b> Khong Guan make use of founder's previous biscuits making knowledge to produce biscuits during Japanese occupation.</p> <p><b>Second Generation</b></p> <p><b>Strategy:</b> Khong Guan accumulated wealth to involve in different business related to primary business from flour milling, trading and transportation to avoid agency cost.</p> <p><b>Third Generation</b></p> <p><b>Strategy:</b> Khong Guan promoted Khong Guan biscuits in China and International market and shared the foods culture among the associate companies from ASEAN, Southeast Asia, Asia and USA.</p>	<p><b>First Generation</b></p> <p><b>Enterprise Development:</b> Constantly experimented with using different technology and established biscuits factory.</p>  <p><b>Second Generation</b></p> <p><b>Enterprise Development:</b> Constantly diversified into different business related to primary business activities.</p>  <p><b>Third Generation</b></p> <p><b>Enterprise Development:</b> Frequently upgraded products aligned with multinational concept to promote knowledge sharing.</p> 
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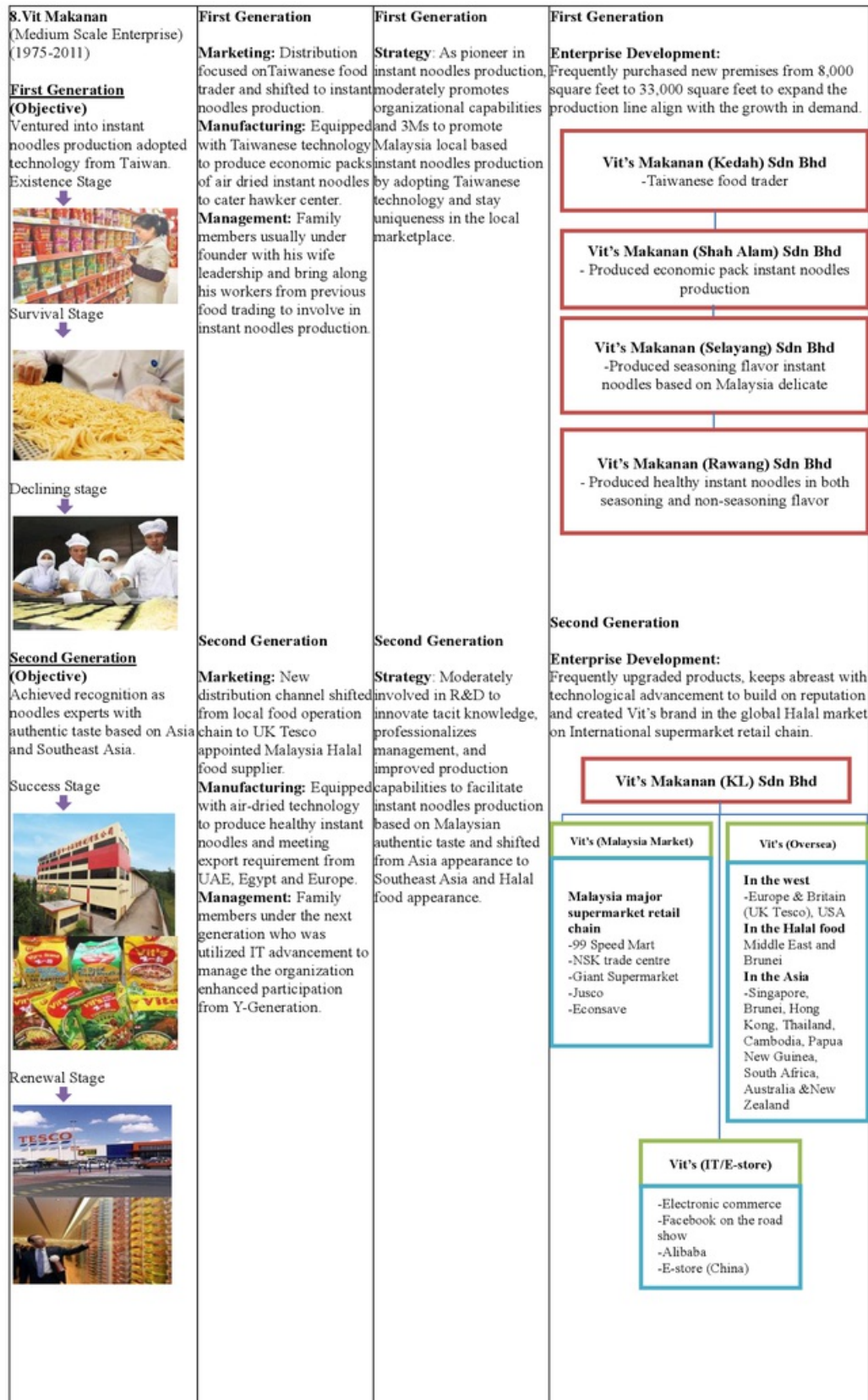
3. London Biscuit (Large Scale Enterprise) (1994-2011)	First Generation	First Generation	First Generation
<p><b>First Generation (Objective)</b> Produced corn based snacks in Malaysia. Existence Stage</p>  <p>Survival Stage</p> 	<p><b>Marketing:</b> Distribution targeted on corn snacks mostly to the kids. <b>Manufacturing:</b> Equipped with single machine to produce savory corn snack. <b>Management:</b> Family management between husband and wife by acquiring majority stake in other food production enterprises.</p>	<p><b>Strategy:</b> London Biscuit used acquiring strategy to own the food production enterprises and enhanced technology transfer to avoid shortage in the raw ingredients to promote diversification.</p>	<p><b>Enterprise Development:</b> Constantly acquired the food production enterprise to produce London trademark of snacks, biscuits and cake roll.</p>  <pre> graph TD     A[London Biscuits Sdn Bhd (Shop Lots)] --&gt; B[London Biscuits Sdn Bhd (Factories)]     B --&gt; C[London Biscuits Berhad]     </pre>
<p><b>Second Generation (Objective)</b> To be a biggest cakes roll production in Southeast Asia market. Success Stage</p> 	<p><b>Marketing:</b> Diversifies business activities into cake rolls, biscuits, snacks and potatoes chips from local to UAE and Asia market. <b>Manufacturing:</b> Equipped with automated technology and convenience packaging to enhance ease of export. <b>Management:</b> Professional management split into COO and CEO to give more autonomy to handle business operation.</p>	<p><b>Strategy:</b> London Biscuits acquired the best technology, management and brand building strategy to be the biggest supplier of cake rolls production in Asia Pacific and Southeast Asia.</p>	<p><b>Enterprise Development:</b> Frequently upgraded production capabilities by introducing new production line to target new market.</p>  <pre> graph TD     A[London Biscuits Group of Companies] --&gt; B[Candies &amp; Chewing Gum]     A --&gt; C[Toy snacks, cake rolls &amp; pie cakes]     A --&gt; D[Poultry Farming (Egg)]     B --&gt; B1[Khee San Food Industries SB]     B --&gt; B2[Khee San Marketing Sdn Bhd]     B --&gt; B3[Khee San Berhad]     C --&gt; C1[London Biscuits Sdn Bhd]     C --&gt; C2[London Biscuits Berhad]     C --&gt; C3[Kinos Food Industries Sdn Bhd]     D --&gt; D1[Lay Hong Berhad]     D --&gt; D2[TPC Plus Berhad]     </pre>
<p><b>Renewal Stage</b></p> 			





<p><b>4. Tatawa Biscuits</b> (Medium Scale Enterprise) (1981-2011)</p> <p><b>First Generation</b> <b>(Objective)</b> Leading manufacturer to produce OEM Japanese biscuits to away from traditional biscuits gift shop. Existence Stage</p> <p>↓</p> 	<p><b>First Generation</b></p> <p><b>Marketing:</b> Distribution focused on long time orientation with Japan OEM biscuits production.</p> <p><b>Manufacturing:</b> Equipped with temperature control even with biscuit mould design from Japan.</p> <p><b>Management:</b> Invited more family members from the traditional gift shop and explored opportunities in OEM.</p>	<p><b>First Generation</b></p> <p><b>Strategy:</b> As pioneer, moderately promoted organizational capabilities and 3Ms to produce OEM products to trace the food culture from the global marketplace.</p>	<p><b>First Generation</b></p> <p><b>Enterprise Development:</b> Frequently upgraded current premises with bigger space for specific food processing facilities and imported machines to produce Tatawa biscuits.</p> <div><p><b>Yong Sheng Confectionery Sdn Bhd</b> -Traditional Chinese special event pastries -Gift shop and hampers</p><p>↓</p><div><p><b>Tatawa Industries (M) Sdn Bhd</b> <b>Knowledge transfer shifted from traditional wedding pastries to OEM biscuits production.</b> -Chinese New Year cookies -Cream filled cookies -Jam filled cookies -Chocolate coated cookies</p></div></div>
<p>Survival Stage</p> <p>↓</p> 	<p><b>Second Generation</b></p> <p><b>Marketing:</b> New distribution channels targeted supermarket channel and mooncakes production was introduced.</p> <p><b>Manufacturing:</b> Equipped with food technology machines imported from Germany and Japan to produce east and west combination biscuits.</p> <p><b>Management:</b> Family members involved nephew and niece to participate in food technology and marketing in order to protect tacit knowledge.</p>	<p><b>Second Generation</b></p> <p><b>Strategy:</b> Moderately involved in R&amp;D to innovate tacit knowledge, professionalizes management, and improves production packaging and biscuits contents based on the food culture from different countries.</p>	<p><b>Second Generation</b></p> <p><b>Enterprise Development:</b> Frequently upgraded products, keeps abreast with technological advancement to meet the stringent requirement by producing Tatawa biscuits.</p> <div><div><p><b>Tatawa Group of Companies</b></p><div><div><p><b>Tatawa Industries (Domestic Trading)</b></p><p><b>Distributed cookies to the shopping complex in Malaysia:-</b> -Jusco - Tesco -Carrefour - Mutiara -The Stores -Giant Supermarket</p></div><div><p><b>Tianje Mooncakes (Japanese Style)</b></p><p><b>Distributed mooncakes cooperated with Tatawa Industries and setup the kiosk in the shopping complex.</b></p></div></div><div><div><p><b>Tatawa Industries (Export &amp; Private Label)</b></p><p><b>Customized private labeling to cater export trading in different countries:-</b> -Japan (Main export countries) -Korea -Southeast Asia -UAE countries -US -Europe countries</p></div><div><p><b>Tianje &amp; Tatawa Hamper</b></p><p><b>Distributed mooncakes and cookies via online system during special event celebration.</b></p></div></div></div></div>
<p><b>Second Generation</b> <b>(Objective)</b> Enforced love at first bites of quality Tatawa biscuits Success Stage</p> <p>↓</p>   			
<p>Renewal Stage</p> <p>↓</p>  			






<p><b>S. King's Confectionery</b> (Medium Scale Enterprise) (1981-2011)</p> <p><b>First Generation Part I (Objective)</b> Opened Hainanese style Café in the small town. Existence Stage</p>  <p><b>First Generation Part II (Objective)</b> Allocated from the hawker stall to King's bakeries house and became largest confectionery retail chain Survival Stage</p>  <p>Success Stage</p>  <p><b>Second Generation (Objective)</b> Turned King's confectionery into franchising from retail shop to Kopitiam lifestyle café. Decline Stage</p>  <p>Rejuvenate Stage</p> 	<p><b>First Generation Part I</b></p> <p><b>Marketing:</b> Distribution focused on housing residents who are coffee lovers.</p> <p><b>Manufacturing:</b> Equipped with coffee brew equipment and specific tools to produce Hainanese pastries.</p> <p><b>Management:</b> Family member involvement and founder's heirs acted as personal helper during school holiday.</p> <p><b>First Generation Part II</b></p> <p><b>Marketing:</b> Mainly distributed the products to the assigned outlets in all Malaysia states.</p> <p><b>Manufacturing:</b> Equipped with 110 machines from flour mixer, oven and cooker to produce pastries and bakeries.</p> <p><b>Management:</b> Founder's elder daughter (Madam Wong) acted as main decision maker and started to involve brothers and sisters in the business operation.</p> <p><b>Second Generation</b></p> <p><b>Marketing:</b> Mainly distributed the products to the nearest outlet in Tesco and overseas market such as Bangladesh.</p> <p><b>Manufacturing:</b> Equipped with 230 imported machines to produce all kinds of bakeries, cakes, foods and sauce products.</p> <p><b>Management:</b> Founder's youngest son (LH Wong) acted as main decision maker and invited his siblings to involve in lifestyle café and OEM processing.</p>	<p><b>First Generation Part I</b></p> <p><b>Strategy:</b> Founder used Hainanese traditional food recipe and brew coffee to attract customer who loved Hainanese foods stuffs.</p> <p><b>First Generation Part II</b></p> <p><b>Strategy:</b> Kings started to manufacturer and design different pastries and bakeries products based on madam Wong's recipe. Blended innovative ideas between madam Wong and staffs.</p> <p><b>Second Generation</b></p> <p><b>Strategy:</b> King's started to recruit outsider COO who had experience in running franchise business. Started to open more King's outlets in rural area with while the café targeted on urban area.</p>	<p><b>First Generation Part I</b></p> <p><b>Enterprise Development:</b> Frequently introduced new Hainanese foods for Hainanese food lovers during breakfast and tea time. Prefer to stay as hawker style café.</p> <p><b>Hailam Kopitiam (Batu Arang, Rawang)</b> -Ethnic enterprise on Hainanese style foods and brew coffee</p> <p><b>First Generation Part II</b></p> <p><b>Enterprise Development:</b> Constantly created King's pastries to centralize the business operation from one outlet to another.</p> <p><b>King's Group of Companies</b></p> <ul style="list-style-type: none"> <li>King's Confectionery Sdn Bhd (Bakeries) <ul style="list-style-type: none"> <li>-Kingdo Holdings</li> <li>-King's Bakery</li> <li>-King's Café</li> <li>-King's Franchise</li> <li>-KS Bakery</li> <li>-Variety Fresh</li> <li>-Ode "2" Juice</li> </ul> </li> <li>King's Confectionery Sdn Bhd (Renovations) <ul style="list-style-type: none"> <li>-Unify Image</li> <li>-Palwise</li> <li>-Vibrant Dragon</li> <li>-Popular Platform</li> </ul> </li> </ul> <p><b>Cake Sense Bakery</b></p> <p>Madam Wong resigned during first generation part II and established Cake Sense bakeries house targeted high end market</p> <p><b>Second Generation</b></p> <p><b>Enterprise Development:</b> Constantly practiced franchising by establishing outlets in every Tesco stores in Malaysia.</p> <p><b>King's Group of Companies</b></p> <ul style="list-style-type: none"> <li>King's Confectionery (Franchise) <ul style="list-style-type: none"> <li>King's Franchise (Tesco)</li> <li>King's Franchise (Bangladesh)</li> <li>King's Franchise (Rural Area)</li> </ul> </li> <li>Pak Hailam Kopitiam Lifestyle <ul style="list-style-type: none"> <li>Pak Hailam (Shopping Complex)</li> <li>Pak Hailam (LRT Station)</li> <li>Pak Hailam (Urban Area)</li> </ul> </li> </ul>
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<p><b>6.Laksamana Usaha</b> (Medium Scale Enterprise) (1975-2011)</p> <p><b>First Generation</b> <b>(Objective)</b> Produced hand-made noodles adopted recipe from Fujian China to cater Chinese in Malaysia ExistenceStage</p> <p>↓</p>  <p>Survival Stage</p> <p>↓</p>  <p><b>Second Generation</b> <b>(Objective)</b> Promoted Laksamana as cleanest noodles based on Malaysia delicate and explored global Halal market Success Stage</p> <p>↓</p>   <p>RenewalStage</p> <p>↓</p>  	<p><b>First Generation</b></p> <p><b>Marketing:</b> Distribution focused on ethnic business who located at sundry shop and wet market.</p> <p><b>Manufacturing:</b> Equipped with semi-auto machine to combine traditional recipe with the latest technology in noodles production.</p> <p><b>Management:</b> Family members management under founder leadership and assigned the job solely to the family members who worked for long time in the enterprise.</p> <p><b>Second Generation</b></p> <p><b>Marketing:</b> New distribution channel targeted from ethnic enterprise to Halal Chinese Muslim restaurant retail chain.</p> <p><b>Manufacturing:</b> Equipped with mixing, grinding and cooling machines produce cleanest noodles.</p> <p><b>Management:</b> Family members lead by founder's eldest son and invited his siblings to monitor sales and production. Still retained senior staffs to work at van selling and production to protect tacit knowledge.</p>	<p><b>First Generation</b></p> <p><b>Strategy:</b> As pioneer, moderately promoted organizational capabilities and 3Ms focused on local demand and orders.</p> <p>Developed strong business networking with the hawkker center, wet market and restaurant by using cash on delivery.</p> <p><b>Second Generation</b></p> <p><b>Strategy:</b> Moderately involved in R&amp;D to innovate tacit knowledge by inviting Malays director to explore opportunities of Halal food in Malaysia and global marketplace.</p> <p>Incorporated Thai nation as company director to enhance knowledge sharing between Malaysia and Thailand as well as benefited in export trading</p>	<p><b>First Generation</b></p> <p><b>Enterprise Development:</b> Frequently moved from home based noodles making to the shop lots and established new factory warehouse to upgrade the technology.</p> <div><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><b>Second Generation</b></p> <p><b>Enterprise Development:</b> Frequently upgraded products, keeps abreast with technological advancement to create cleanest noodles with Halal recognized to be consumed in Chinese Muslim restaurant retail chain.</p> <div><div>Laksamana Usaha Noodles Products</div><div><div>Noodles varieties</div><div>-Laksamana (Noodles) -Yellow mee, Kuey Teow and flat me. -Laksamana (Vermicelli)- Yee Mee and Bihun</div><div>Food ingredients</div><div>-Laksamana (instant sauces) -Laksamana (Bean products)</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>
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<p><b>7.TPC Plus</b> (Large Scale Enterprise) (1976-2011)</p> <p><b>First Generation</b> <b>(Objective)</b> To manage traditional poultry farming and became MacDonald appointed table egg's supplier in Malaysia Existence Stage</p>  <p>Survival Stage</p>   <p><b>Second Generation</b> <b>(Objective)</b> Part of the subsidiaries belong to Lonbisco corporation and ventured into enzyme vinegar business. Declining stage</p>  <p>Success Stage</p>  <p>Renewal Stage</p> 	<p><b>First Generation</b></p> <p><b>Marketing:</b> Distribution targeted at sundry shop, supermarket and later to fast food restaurant chain.</p> <p><b>Manufacturing:</b> Equipped with Germany technology to produce quality eggs and adopted Taiwan poultry farming operation.</p> <p><b>Management:</b> Family members under sibling partnership of 4 brothers from Yee family to handle from small chick farm to professionalized integrated poultry farm.</p> <p><b>Second Generation</b></p> <p><b>Marketing:</b> Distribution shifted from supermarket and fast food chain to confectioneries and pastries house.</p> <p><b>Manufacturing:</b> Equipped with appropriate in house facilities to offer it eggs against hazardous. Yee's brothers ventured into biotechnology to produce enzyme vinegar.</p> <p><b>Management:</b> Family management from Yee's family to Liew's family align with LBB mission to become pioneering as biggest cake roll production in Southeast Asia.</p>	<p><b>First Generation</b></p> <p><b>Strategy:</b> Heavily enhanced organizational capabilities as leading of s table eggs supplier by introducing Wasaco ("washed-sanitized-coated") eggs. Shifted from predominantly local clientele become main egg's supplier for Malaysia fast food restaurant chain.</p> <p><b>Second Generation</b></p> <p><b>Strategy:</b> Heavily involved in developing organizational capabilities by focusing on R&amp;D and sold to Lonbisco since the next generation not interested to join the family business. Invited staffs with veterinarian background in farm management and disease monitoring to enhance quality of finished products.</p>	<p><b>First Generation</b></p> <p><b>Enterprise Development:</b> Constantly purchased new premises and farm equipped with modern technology to establish in house R &amp; D for its low cholesterol eggs.</p> <div data-bbox="1008 358 1356 929"> <p><b>Teck Ping Chan Farming</b> -Poultry farming for chicken feeding</p> <p><b>Teck Ping Chan Poultry Farm</b> - Egg's producer in Alor Gajah</p> <p><b>Teck Ping Chan Agriculture Sdn Bhd</b> <b>Teck Ping Chan Realty Sdn Bhd</b> -Agriculture activities to produce fresh eggs and involved in property</p> <p><b>TPC Plus Berhad</b> - Retail and egg's wholesale. McDonald appointed egg's supplier in Malaysia</p> <p><b>Mestika Arif Sdn Bhd</b> -Engaged in the cultivation of fruits and oil palms</p> </div> <p><b>Second Generation</b></p> <p><b>Enterprise Development:</b> Efficient administrative coordination, constantly upgraded, keeps abreast with technological advancement to turn poultry farming family business into enzyme vinegar organic farm.</p> <div data-bbox="1000 1164 1356 1534"> <p><b>TPC Plus Berhad</b></p> <div> <p><b>London Biscuits Berhad</b></p> <p>-Acquired and owned by London Biscuits Berhad with produce table eggs, cultivation of fruits and oil palm</p> </div> <div> <p><b>Maple Leaf Organic S/B</b></p> <p>-Brown rice vinegar -Organic noni vinegar -Pineapple enzyme -Fruit and vegetable enzyme -Propolis and Ganoderma -Natural mulberry enzyme -Natural coffee enzyme</p> </div> </div>
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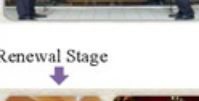












<p><b>9. Besfomec</b> (Medium Scale Enterprise) (1948-2011)</p> <p><b>First Generation</b> <b>(Objective)</b> Nurtured as Chinese traditional herbs shop by providing Chinese physician service Existence Stage</p>  <p><b>Second Generation</b> <b>(Objective)</b> Leading and pioneering in traditional health supplements focused on essence herbal products Survival Stage</p>  <p>Success Stage</p>  <p><b>Third Generation</b> <b>(Objective)</b> Promoted Fomec essence products and build good reputation in the international market as Nanyang heritage traditional herbal products. Rejuvenate Stage</p> 	<p><b>First Generation</b></p> <p><b>Marketing:</b> Distribution targeted on local community who believed in Chinese traditional herbal remedies.</p> <p><b>Manufacturing:</b> Equipped with herbal knowledge remedies with healing effect.</p> <p><b>Management:</b> Family management under founder leadership by inviting his wife and children as personal helper solely adopted Confucius teaching</p> <p><b>Second Generation</b></p> <p><b>Marketing:</b> Distribution from targeted on traditional herbal remedies to general essence products as health supplement.</p> <p><b>Manufacturing:</b> Equipped with standard steel jacketed tank to produce essence products blended with chicken, herbs, fish and bird nest.</p> <p><b>Management:</b> Family management under founder's 5 sons leadership to manage the organization from production, packaging until logistic and tourism.</p> <p><b>Third Generation</b></p> <p><b>Marketing:</b> Distribution focused on Overseas Chinese market in Asian region later distributed to the China town market in Non-Asia market.</p> <p><b>Manufacturing:</b> Equipped with auto labelling machines and good manufacturing practice to produce Fomec's essence health products.</p> <p><b>Management:</b> Shifted from family capitalism on hierarchical management structure to knowledge intensive by exploring opportunities in scientific approach health supplements.</p>	<p><b>First Generation</b></p> <p><b>Strategy:</b> The founder used personal passionate and interest to explore knowledge in Chinese herbal remedies to help more people who was suffered from critical illness as health supplement and maintenance.</p> <p><b>Second Generation</b></p> <p><b>Strategy:</b> The founder's heirs came with sibling partnership turned traditional herb family business to healthcare supplements particularly in essence products and targeted export trading particularly in Overseas Chinese market.</p> <p><b>Third Generation</b></p> <p><b>Strategy:</b> The next generation combined pharmacy knowledge to develop tacit knowledge on traditional health. Promoted health tourism started in Melaka and marketed the brand to the overseas market such as Asia, Europe, Australia and US.</p>	<p><b>First Generation</b></p> <p><b>Enterprise Development:</b> Constantly improved the traditional Chinese medicine hall by introducing herbal remedies for certain ailments.</p> <div data-bbox="1013 358 1370 604"> <p><b>Xin Chun Who Chinese Herbs</b> -Started as 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><b>Second Generation</b></p> <p><b>Enterprise Development:</b> Constantly upgraded from family business to the Besfomec group of companies comprises of production, packaging, logistic and distribution.</p> <div data-bbox="1013 784 1370 1232"> <p><b>Besfomec Group of Companies</b></p> <div> <div> <p><b>Besfomec (Health Care)</b></p> <p>- Healthcare supplements</p> </div> <div> <p><b>Besfomec (Industries)</b></p> <p>- Essence production</p> </div> </div> <div> <div> <p><b>Besfomec (Packaging)</b></p> <p>- Hamper Products</p> </div> <div> <p><b>Besfomec (Distributor)</b></p> <p>- Dealership</p> </div> </div> <div> <p><b>Besfomec (Realty)</b></p> <p>-Dealing with realty and property trading</p> </div> </div> <p><b>Third Generation</b></p> <p><b>Enterprise Development:</b> Frequently upgraded products with latest technology to produce evidence based essence products and established one stop health tourism gifts shop in Melaka to cater worldwide tourists.</p> <div data-bbox="1013 1388 1370 1736"> <p><b>Besfomec Group of Companies</b></p> <div> <div> <p><b>Besfomec (Malaysia)</b></p> <p>-Herbs and Chicken essence -Bird nest concentrate -Health Tonics -Traditional Herbs</p> </div> <div> <p><b>Besfomec (Macau)</b></p> <p>-Distributed Fomec's health products -Well choose the best herbs from Macau -Collected more traditional remedies from China &amp; Hong Kong</p> </div> </div> </div>
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<p><b>10. Baker Cottage</b> (Small Scale Enterprise) (1994-2011)</p> <p><b>First Generation</b> <b>(Objective)</b> Started as poultry chick farming in Johor dealt with Chicken rearing as contract farming Existence Stage</p>  <p>Survival Stage</p>  <p><b>Second Generation</b> <b>(Objective)</b> Operated own poultry hatcheries and breeding farm to explore business opportunities in chicken meat processing and R &amp; D in biotechnology Success Stage</p>   <p><b>Third Generation</b> <b>(Objective)</b> Produced own bakeries house through R &amp; D in pastries product and resource utilization from the group Renewal Stage</p> 	<p><b>First Generation</b></p> <p><b>Marketing:</b> Distribution targeted on wholesales of day old chick and broiler Chicken from Johor farm to bigger town such as Penang, Kuala Lumpur, Malacca and Singapore.</p> <p><b>Manufacturing:</b> Equipped with poultry farming technology from chickens rearing to the feeding technology until distribution.</p> <p><b>Management:</b> Family management under founder and siblings partnership. The siblings turned into fully integrated poultry farming operation.</p> <p><b>Second Generation</b></p> <p><b>Marketing:</b> Diversified activities and become Malaysia main distributor of fresh chicken, processed meat and invested in Philippines and Indonesia.</p> <p><b>Manufacturing:</b> Equipped with feed milling technology in the breeding and production of chicken product to the processing plant and biotechnology.</p> <p><b>Management:</b> Lau family members trained to involve in livestock industry and retail market and assigned new professional managers to manage the multi diversification business trading. Started to outsource the management service.</p> <p><b>Third Generations</b></p> <p><b>Marketing:</b> Distribution targeted on retail confectionery Baker Cottage retail chain.</p> <p><b>Manufacturing:</b> Equipped with automated technology process in frozen dough, pastries &amp; cakes and utilized the resources from the group.</p> <p><b>Management:</b> Third generation with creative idea ran confectionery retail chain and centralized the management align with Leong Hup group from production to the distribution.</p>	<p><b>First Generation</b></p> <p><b>Strategy:</b> The founder enjoyed the economies of scale from bulk purchase and distributed chicks to the larger network and transformed the poultry and breeding operations into integrated poultry farming operation.</p> <p><b>Second Generation</b></p> <p><b>Strategy:</b> Leong Hup group involved in operating poultry hatcheries and breeding farm in Malaysia and setup overseas plant in Vietnam, Philippines and Indonesia to capture bigger market demand towards rent seeking behaviour. Ventured into chick related fast food cafe and pastries house.</p> <p><b>Third Generations</b></p> <p><b>Strategy:</b> Younger third generation family members look forward bakeries industry in Malaysia and established own Baker Cottage pastries and mooncakes solely based on vertical integration strategy.</p>	<p><b>Enterprise Development:</b> Constantly embarked into various horizontal and vertical diversification development shifted from own farming to contract farming.</p> <div><p><b>Leong Hup Contract Farming Sdn Bhd</b> -Shifted from own farming to integrated contract farming</p><p><b>Leong Hup Group</b> -Wholesales of broiler chicken, day old chicken, feed mills, biotechnology and farm building rental</p></div> <p><b>Second Generation</b></p> <p><b>Enterprise Development:</b> Constantly upgraded from chick farming to chicken meat processing by establishing Ayam A1 cafe and Baker Cottage.</p> <div><p><b>Leong Hup Group of Companies</b></p><table><tr><td><b>Emivest Group Berhad</b> -Feedmill, agrotrade, agricultural &amp; duck farm</td><td><b>Teo Seng Group Capital Berhad</b> -Farming, feedmill, paper products&amp;</td></tr><tr><td><b>Lee Say Group (Singapore)</b> -Poultry industry, meat processing &amp; manufacturing</td><td><b>F.E.Venture</b> -New business venture and laboratories</td></tr><tr><td><b>The Baker Cottage Group</b> -Confectionery and restaurant</td><td><b>Ladang Tenaga Maju Group</b> -Contract farming, poultry farm &amp; A1 cafe</td></tr></table></div> <p><b>Third Generation</b></p> <p><b>Enterprise Development:</b> Frequently upgraded the products with latest technology and adopted traditional production recipe from the group ventured into confectionery retail chain.</p> <div><p><b>Baker Cottage Group of Companies</b></p><table><tr><td><b>BC Confectionery (26 outlets)</b> -Baker Cottage (Wilayah) -Baker Cottage (Selangor) -Baker Cottage (Sembilan) -Baker Cottage (Johor)</td><td><b>TBC Restaurant &amp; Café</b> -Restaurant and light café -New set menu of baker cottage cuisine</td></tr></table></div>	<b>Emivest Group Berhad</b> -Feedmill, agrotrade, agricultural & duck farm	<b>Teo Seng Group Capital Berhad</b> -Farming, feedmill, paper products&	<b>Lee Say Group (Singapore)</b> -Poultry industry, meat processing & manufacturing	<b>F.E.Venture</b> -New business venture and laboratories	<b>The Baker Cottage Group</b> -Confectionery and restaurant	<b>Ladang Tenaga Maju Group</b> -Contract farming, poultry farm & A1 cafe	<b>BC Confectionery (26 outlets)</b> -Baker Cottage (Wilayah) -Baker Cottage (Selangor) -Baker Cottage (Sembilan) -Baker Cottage (Johor)	<b>TBC Restaurant &amp; Café</b> -Restaurant and light café -New set menu of baker cottage cuisine
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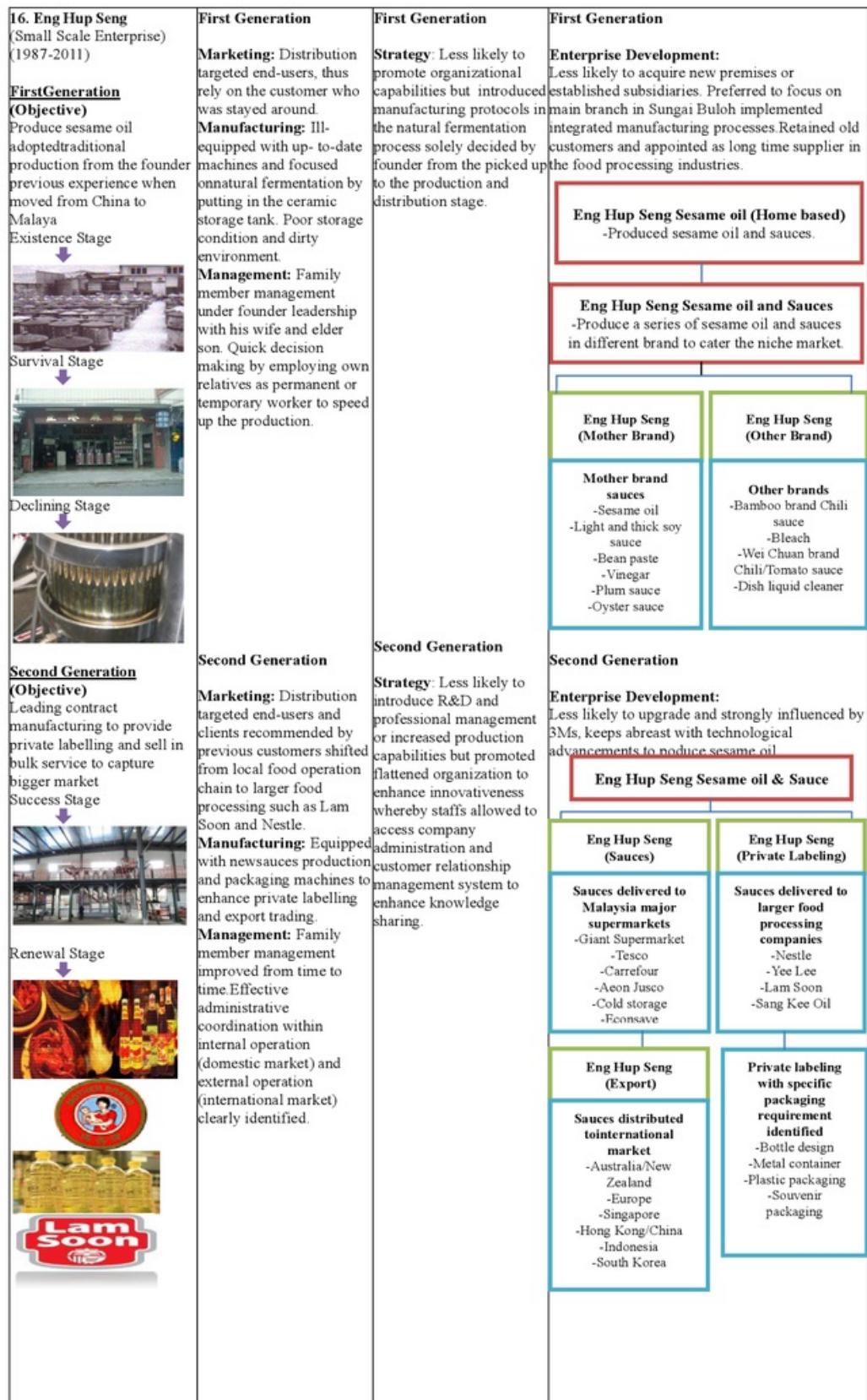
<p><b>11. Ghee Hiang</b> (Small Scale Enterprise) (1865-2011)</p> <p><b>First Generation</b> <b>(Objective)</b> Adopted pastries production recipe from China to produce sesame oil and biscuits to serve Chinese immigrant in Penang. Existence Stage</p>  <p><b>Second Generation</b> <b>(Objective)</b> Leading and pioneering in Penang heritage foods of Tau Sar Piah and baby brand sesame oil Survival Stage</p>   <p><b>Third Generation</b> <b>(Objective)</b> Acclaimed for its brand heritage values through traditional excellence practiced and innovation in biotechnology Success Stage</p>  <p>Rejuvenate Stage</p> 	<p><b>First Generation</b></p> <p><b>Marketing:</b> Distribution targeted to Chinese immigrant located at Penang who was practiced similar culture.</p> <p><b>Manufacturing:</b> Equipped with traditional sesame oil and pastries production.</p> <p><b>Management:</b> Family management under founder leadership. The wife sold the business to 4 families after the founder passed away.</p> <p><b>Second Generation</b></p> <p><b>Marketing:</b> Diversified the business and targeted niche market on Penang heritage food stuffs to enhance tourism.</p> <p><b>Manufacturing:</b> Equipped with semi-auto machines and remained hand-made filling and production.</p> <p><b>Management:</b> Ooi and Ch'ng family bought the majority stake from Yeoh and Yeah family as the main shareholder for Ghee Hiang Group.</p> <p><b>Third Generations</b></p> <p><b>Marketing:</b> Distribution targeted overseas Chinese and focused on global Halal opportunities in UAE countries.</p> <p><b>Manufacturing:</b> Equipped with food safety technology to promote sesame oil medicine and focused R &amp; D in biotechnology.</p> <p><b>Management:</b> Partnership between Ooi and Ch'ng in third and fourth generation to retain seniority management to lead the junior staffs blended with openness and innovative ideas.</p>	<p><b>First Generation</b></p> <p><b>Strategy:</b> The founder invited the pastry chef from China highlighted the traditional excellence in food production to serve Chinese immigrant mostly labours who was worked at Penang.</p> <p><b>Second Generation</b></p> <p><b>Strategy:</b> The second generation used Ghee Hiang brand as one of the Penang heritage food stuffs to turn Ghee Hiang into popular spot as tourism gift shop promoted Tau Sar Piah biscuits and sesame oil as Penang must buy products.</p> <p><b>Third Generations</b></p> <p><b>Strategy:</b> Ghee Hiang used highlighting tradition to produce traditional excellence of Ghee Hiang brand products and turned Ghee Hiang into museum sales boutique to promote Penang heritage business and tourism to visit Penang.</p>	<p><b>First Generation</b></p> <p><b>Enterprise Development:</b> Constantly produced oriental pastries based on traditional cultural practiced and produced traditional sesame oil with "Chop Ghee Hiang".</p> <div data-bbox="1008 369 1370 571"> <p><b>Chop Ghee Hiang</b> -Traditional Chinese pastries flagship store at Beach street, Penang</p> <p>Oriental pastries and traditional biscuits</p> <p>Traditional baby brand sesame oil</p> </div> <p><b>Second Generation</b></p> <p><b>Enterprise Development:</b> Constantly upgraded from small flagship store to manufacture Penang heritage food stuffs</p> <div data-bbox="1008 784 1370 1108"> <p><b>Ghee Hiang Branches</b></p> <p><b>Ghee Hiang (Beach Street)</b> -Flagship store to produce Tau Sar Piah biscuits</p> <p><b>Ghee Hiang (Macalister Road)</b> -Sales boutique as tourist destination</p> <p><b>Ghee Hiang Garden</b> -Property and real estate</p> <p><b>Ghee Hiang Sesame oil</b> -Baby brand sesame oil manufacturer</p> </div> <p><b>Third Generation</b></p> <p><b>Enterprise Development:</b> Frequently upgraded products with latest technology to produce excellence Ghee Hiang biscuits and sesame oil medicine to transform into Penang heritage spot.</p> <div data-bbox="1008 1299 1370 1713"> <p><b>Ghee Hiang Group of Companies</b></p> <p><b>Ghee Hiang Holdings</b> -Ghee Hiang Estate -Ghee Hiang Residences -Ghee Hiang Gardens -Ghee Hiang 3-storey family homes</p> <p><b>Ghee Hiang Manufacturing</b> -Ghee Hiang (Tau Sar Piah) -Ghee Hiang (Sesame Oil) -Ghee Hiang (Coffee) -Ghee Hiang (Food Stuff) -Ghee Hiang (R &amp; D) -Ghee Hiang (Museum Boutique)</p> </div>
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<p><b>12. Kum Thim</b> (Medium Scale Enterprise) (1970-2011)</p> <p><b>First Generation</b> <b>(Objective)</b> Became accepted and recognized under the brand of Kum Thim sauces. Existence Stage</p>  <p>Survival Stage</p>   <p><b>Second Generation</b> <b>(Objective)</b> Produced core product represented the Malaysia localized fabulous food and Malaysia specialties to achieve recognition in the global arena. Success Stage</p>  <p>Renewal Stage</p>   	<p><b>First Generation</b></p> <p><b>Marketing:</b> Distribution targeted at household and local restaurant where served the steamed dishes.</p> <p><b>Manufacturing:</b> Equipped with traditional fermentation to produce Cantonese sauces.</p> <p><b>Management:</b> Family member management under founder's wife and eldest son handled daily production from ordered by phone to the distributed by lorry.</p> <p><b>Second Generation</b></p> <p><b>Marketing:</b> New distribution channel targeted overseas market and hotel chain in Oversea China and UAE countries under the promotion of frozen food products.</p> <p><b>Manufacturing:</b> Equipped with freezing technology and frozen storage to produce sauces and frozen foods targeted export trading.</p> <p><b>Management:</b> Family member management under founder's heirs who was educated well and giving full autonomy to their managerial staff explored new opportunities and new ideas blended with staff's personal experience.</p>	<p><b>First Generation</b></p> <p><b>Strategy:</b> As pioneering in Malaysia leading sauce manufacturer moderately promoted organizational capabilities and 3Ms to produce Kum Thim sauces into Malaysia local taste and served local restaurant, hotel and food operator.</p> <p><b>Second Generation</b></p> <p><b>Strategy:</b> Moderately involved in R&amp;D to innovate tacit knowledge, professionalizes management, and improved production capabilities to facilitate Malaysia specialties such as Yee Sang and Dim Sum to stay uniqueness and competitive dynamic in global marketplace.</p>	<p><b>First Generation</b></p> <p><b>Enterprise Development:</b> Frequently purchased new premises with modernize technology to produce aroma tasty sauces and penetrated into local restaurant and hotel chain in Malaysia.</p> <div><div><b>Kum Thim Home based business</b> -Home based sauces production</div><div><b>Kum Thim Sauces Company</b> -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><b>Local distribution channel</b> -Household purchased -School Canteen -Hawker center -Food court -Shopping Complex food court corner</td><td><b>Malaysia restaurant and hotel chain</b> -Local restaurant -Seafood restaurant -Food Catering -4/5 stars hotel -Cruise's bar or restaurant</td></tr></table> <p><b>Second Generation</b></p> <p><b>Enterprise Development:</b> Frequently upgraded products, keeps abreast with technological advancement became sauces and frozen food specialties networked with China, Hong Kong and UAE countries.</p> <div><div><b>Kum Thim Group of Companies</b></div><div><div><b>Kum Thim Foods</b> -Sauce products (Soy sauce, Chili sauce, oyster sauce, vinegar, sesame oil and lemon sauce) -Yee Sang foods</div><div><b>Jiang's Group (China)</b> -China and Hong Kong style sauces (Halal and Non-Halal based)</div></div><div><div><b>A &amp; K Food Industries</b> -Dim Sums and frozen foods based on Malaysia local style</div><div><b>Thye Woh Sauces</b> -Food processing for Halal and non-Halal sauces -Yee Sang preparation (vegetable slices and Yee Sang sauces)</div></div></div>	Kum Thim (Household)	Kum Thim (Restaurant)	<b>Local distribution channel</b> -Household purchased -School Canteen -Hawker center -Food court -Shopping Complex food court corner	<b>Malaysia restaurant and hotel chain</b> -Local restaurant -Seafood restaurant -Food Catering -4/5 stars hotel -Cruise's bar or restaurant
Kum Thim (Household)	Kum Thim (Restaurant)						
<b>Local distribution channel</b> -Household purchased -School Canteen -Hawker center -Food court -Shopping Complex food court corner	<b>Malaysia restaurant and hotel chain</b> -Local restaurant -Seafood restaurant -Food Catering -4/5 stars hotel -Cruise's bar or restaurant						

<p><b>13. KLT Food Industries</b> (Medium Scale Enterprise) (1972-2011)</p> <p><b>First Generation</b> <b>(Objective)</b> Leading Malaysia successful restaurant keeper focused on Hong Kong style cuisine and introduced into Malaysia food industry Existence Stage</p>  <p>Survival Stage</p>   <p><b>Second Generation</b> <b>(Objective)</b> Promoted Malaysia culinary and A1 fabulous food derived from Kum Lun Tai new menu and mooncakes Success Stage</p>   <p>Renewal Stage</p>  	<p><b>First Generation</b></p> <p><b>Marketing:</b> Distribution targeted on local community who was Hong Kong food and Dim Sum lover.</p> <p><b>Manufacturing:</b> Equipped with previous working hand on experience in making Hong Kong Dim Sum and mooncakes.</p> <p><b>Management:</b> Family members under founder's management with his wife and colleagues who was worked in the restaurant to run efficiently in the restaurant and catering service.</p> <p><b>Second Generation</b></p> <p><b>Marketing:</b> New distribution channel shifted from Kam Lun Tai restaurant business to the food processing targeted on export trading.</p> <p><b>Manufacturing:</b> Equipped with quality manufacturing practice to produce processed foods to be used in restaurant and catering service.</p> <p><b>Management:</b> Family members under founder's heirs to manage the family business. Son assigned to monitor food processing and create new menu for the catering and wedding dinner while daughter assigned to manage restaurant operation.</p>	<p><b>First Generation</b></p> <p><b>Strategy:</b> As pioneering and Malaysia leading of Kam Lun Tai restaurant in food industry moderately promoted organizational capabilities and 3Ms to serve Malaysia Chinese community who was loved at Hong Kong foods and mooncakes.</p> <p><b>Second Generation</b></p> <p><b>Strategy:</b> Moderately involved in R&amp;D to innovate tacit knowledge, professionalizes management, and improved production capabilities to facilitate Malaysia fabulous foods and created new menu and food products combined with the food fusion from the worldwide.</p>	<p><b>First Generation</b></p> <p><b>Enterprise Development:</b> Frequently purchased new premises with modernize technology to be the pioneer in Dim Sum restaurant chain and later proceed to food processing.</p> <div data-bbox="1002 376 1366 474"> <p><b>Loy Kee Dim Sum Restaurant (Central Market)</b> -Produced Hong Kong Dim Sum</p> </div> <div data-bbox="1002 497 1366 609"> <p><b>Kum Lun Tai Restaurant (KL)</b> -Promoted golden brand of Kam Lun Tai to provide tea time and dining for those who was stayed at Kum Lun Tai hotel</p> </div> <div data-bbox="1002 631 1168 887"> <p><b>Kum Lun Tai (Dim Sum)</b></p> <ul style="list-style-type: none"> <li>-Hong Kong Dim Sum</li> <li>-Chinese tarts and desserts</li> <li>-Fried crispy side dishes</li> <li>-Noodles</li> <li>-Mooncakes</li> </ul> </div> <div data-bbox="1200 631 1366 887"> <p><b>Kum Lun Tai (Restaurant)</b></p> <ul style="list-style-type: none"> <li>-Cantonese cuisine</li> <li>-Dining service</li> <li>-Wedding dinner</li> <li>-Company annual dinner</li> </ul> </div> <p><b>Second Generation</b></p> <p><b>Enterprise Development:</b> Frequently upgraded products, keeps abreast with technological advancement to create food fusion align with the changing demand or trends of Malaysia food lovers.</p> <div data-bbox="1002 1115 1366 1182"> <p><b>Kum Lun Tai Group of Companies</b></p> </div> <div data-bbox="1002 1205 1184 1393"> <p><b>Restaurant business</b></p> <ul style="list-style-type: none"> <li>-Kam Lun Tai Restaurant (Sri Petaling &amp; Klang)</li> <li>-Imbi, Damansara and Jaya Palace Restaurant (Partnership business)</li> </ul> </div> <div data-bbox="1216 1205 1366 1393"> <p><b>Noodles House</b></p> <ul style="list-style-type: none"> <li>-Luxurious noodle house</li> <li>-Super Noodle house</li> <li>-Japanese restaurant</li> </ul> </div> <div data-bbox="1002 1415 1184 1581"> <p><b>Catering Service</b></p> <ul style="list-style-type: none"> <li>-Guardian Catering &amp; Restaurant Sdn Bhd</li> </ul> </div> <div data-bbox="1216 1415 1366 1581"> <p><b>Food processing</b></p> <ul style="list-style-type: none"> <li>-Kam Lun Tai Cake House</li> <li>-KLT Food Industries</li> </ul> </div>
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<p><b>14. Red Horse</b> (Small Scale Enterprise) (1964-2011)</p> <p><b>First Generation</b> <b>(Objective)</b> Leading manufacturer of concentrate juice cordials focused on Malaysia tropical fruit flavors.</p> <p>Existence Stage</p>  <p>Survival Stage</p>    <p><b>Second Generation</b> <b>(Objective)</b> Pioneering and customized fruit juice cordial to enhance private labelling catered export trading</p> <p>Success Stage</p>    <p>Renewal Stage</p> 	<p><b>First Generation</b></p> <p><b>Marketing:</b> Distribution targeted on Malaysia local convenience store and government bodies.</p> <p><b>Manufacturing:</b> Ill-equipped with up-to-date machines and focused only meeting requests by customerreferring to thesyrup varieties.</p> <p><b>Management:</b> Led by husband and wife, while children handle daily tasks as temporarily worker or helper during school holiday to practice hand on working experience.</p> <p><b>Second Generation</b></p> <p><b>Marketing:</b> Distribution targeted end-users and clients recommended by previous customers to cater export capacities from UAE Halal market.</p> <p><b>Manufacturing:</b> Equipped with Festo, Germany technology in mechatronic automation to cater export capacities on private labelling.</p> <p><b>Management:</b> Family members improved managerial tasks but lack of focus to increase organizational flexibilities since founder still hold the bigger decision in the organization.</p>	<p><b>First Generation</b></p> <p><b>Strategy:</b> Less likely to promote organizational capabilities but introduced manufacturing protocols in producing tropical fruit cordials. Every staffs followed rules and regulations to be a pioneering leading brand of fruit juice industry in Malaysia.</p> <p><b>Second Generation</b></p> <p><b>Strategy:</b> Less likely to introduce R&amp;D and professional management or increasedproduction capabilities but trying hard to promote in house R &amp; D and later proceed to the private labelling. Remained fruit juice cordials as their core products without diversified into other products.</p>	<p><b>First Generation</b></p> <p><b>Enterprise Development:</b> Less likely to acquire new premises or establish subsidiaries. Prefer to specialize inproducing concentrate juice cordials and retained old customers.</p> <div><p><b>Red Horse Van Selling (Home Based)</b> -Home based fruit juice production</p><p><b>Red Horse Juice Manufacturer Sdn Bhd</b> -Produced squashes, cordials and syrups based on Malaysia tropical fruit flavors</p></div> <div><p><b>Red Horse (Convenience Store)</b></p><p><b>Distribution Channel</b> -Convenience Store -Sundry Shop -Market -Mini Mart -Mini Supermarket</p></div> <div><p><b>Red Horse (Government&amp; Private)</b></p><p><b>Distribution Channel</b> -School canteen -Food court -Government bodies -Food catering -Restaurant</p></div> <div><p><b>Hon Nyit Sin &amp; Sons Realty</b></p><p>-Rental collection on purchased premises -Investment holding</p></div> <p><b>Second Generation</b></p> <p><b>Enterprise Development:</b> Less likely to upgrade, though strongly influenced by 3Ms, keeps abreast with technological advancements and emphasized in hygienic and safety product packaging to enhance private labelling in export trading.</p> <div><p><b>Red Horse Group of Companies</b></p><div><p><b>Red Horse Fruit Juice</b></p><p>-Red Horse fruit juice cordials -Borr's fruit juice cordials -OEM fruit juice cordials</p></div><div><p><b>Shoon Kee Fruit Juice</b></p><p>-B &amp; P fruit juice cordials -Nikmat fruit juice cordials -Happy baby trademark -Rabbit trademark</p></div></div>
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<p><b>15. Hei Hwang</b> (Small Scale Enterprise) (1975-2011)</p> <p><b>First Generation</b> <b>(Objective)</b> Produced traditional herbal drinks and ventured into instant beverages on Ipoh white coffee Existence Stage</p> <p>↓</p>  <p>Declining Stage</p> <p>↓</p>  <p>Survival Stage</p> <p>↓</p>  <p><b>Second Generation</b> <b>(Objective)</b> Leading manufacturer of Hei Hwang instant Coffee series and health drinks to create healthy lifestyle. Success Stage</p> <p>↓</p>  <p><b>Renewal Stage</b></p> <p>↓</p> 	<p><b>First Generation</b></p> <p><b>Marketing :</b> Established shop lot and produced traditional herbal drinks and ventured into instant packaging on Ipoh white coffee.</p> <p><b>Manufacturing :</b> Equipped with previous machines in producing herbal drinks and transformed into roasting coffee beans and brewing techniques.</p> <p><b>Management :</b> Family member under founder leadership came with sibling partnership and each brother monitored the business operation as store or shop assistant.</p> <p><b>Second Generation</b></p> <p><b>Marketing :</b> Mainly distributed the Hei Hwang products to the overseas Chinese market in Southeast Asia.</p> <p><b>Manufacturing :</b> Equipped with roasted technology to produce Hei Hwang instant coffee and health supplements.</p> <p><b>Management :</b> Elder brother monitored local market and younger brother monitor China subsidiaries in contract farming and export trading to innovate supply chain management.</p>	<p><b>First Generation</b></p> <p><b>Strategy:</b> Less likely to promote 3Ms but learnt to produce instant beverages of coffee series. Developed the tacit knowledge to produce instant Ipoh Coffee manufacturer represented Malaysia most potential products in the export trading.</p> <p><b>Second Generation</b></p> <p><b>Strategy:</b> More likely to promote 3Ms but utilized the land bought in Guangdong as contract farming and sent back the beans for further processing in Malaysia. In Malaysia, exported the instant coffee series to China and distributed health powders to Singapore as main distributor agent in Southeast Asia.</p>	<p><b>First Generation</b></p> <p><b>Enterprise Development:</b> Constantly upgraded machines and recruited technical staffs to venture into instant coffee processing. China appointed Hei Hwang as most favorite brand of Ipoh white coffee.</p> <div data-bbox="1029 369 1356 481"> <p><b>Dayo Food Industries (M) Sdn Bhd (Ipoh Based)</b> -Produced traditional herbal drinks</p> </div> <div data-bbox="1029 492 1356 593"> <p><b>Hei Hwang Food Industries</b> -Produced instant Ipoh coffee series and instant health drinks</p> </div> <div data-bbox="1029 616 1356 884"> <div> <p><b>Hei Hwang (Ipoh Based)</b></p> <p><b>Distribution Channel</b> -Convenience Store -Sundry Shop -Vegetarian restaurant -Mini Mart -Organic shop</p> </div> <div> <p><b>Hei Hwang (Distributor &amp; Dealership)</b></p> <p><b>Distribution Channel</b> -Local distributor in Malaysia -China sole distributor -Singapore sole distributor</p> </div> </div> <p><b>Second Generation</b></p> <p><b>Enterprise Development:</b> Constantly upgraded machine and recruited managers to involve in 3Ms and ventured into organic vegetarian farm and health supplements.</p> <div data-bbox="1029 1120 1356 1176"> <p><b>Hei Hwang Food Industries</b></p> </div> <div data-bbox="1029 1198 1356 1400"> <div> <p><b>Hei Hwang (Ipoh based)</b></p> <p><b>Distributed the products to Malaysia, Singapore and China</b> -Health supplement -Beverage supplement</p> </div> <div> <p><b>Hei Hwang (China)</b></p> <p><b>Established food processing plant in China</b> -Veggie foods -Oats and grains -Cereals -Beans and soya</p> </div> </div> <div data-bbox="1029 1422 1356 1680"> <div> <p><b>Hei Hwang (Singapore)</b></p> <p><b>Assigned Singapore as main distributor:-</b> -Chinese medical hall -Provision shops -Organic shops -Sheng Siong mart -Mustafa -Other Oversea Chinese markets</p> </div> <div> <p><b>Exported processed food to Malaysia from China</b> -Soya beans powder -Oat Milk -Pumpkin Soap -Grain Cereals -Sesame seeds powder</p> </div> </div>
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<p><b>17. Regent Food</b> (Small Scale Enterprise) (1981-2011)</p> <p><b>First Generation</b> <b>(Objective)</b> Appointed nuts and beans supplier for local community such as school canteen and hawker centre Existence Stage</p>  <p>Survival Stage</p>  <p><b>Second Generation</b> <b>(Objective)</b> Leading manufacturer and exporter for premium peas and nuts by adding flavors to suit export trading Success Stage</p>  <p>Renewal Stage</p> 	<p><b>First Generation</b></p> <p><b>Marketing:</b> Distribution targeted end-users, thus produced and distributed peas and nuts products within Malaysia market.</p> <p><b>Manufacturing:</b> Ill-equipped with up- to-date machines by using frying cooking techniques to distribute fried peas and nuts.</p> <p><b>Management:</b> Family member management under founder leadership. Founder's daughter used to monitor the production while later on will pass it to the founder's son after graduated from University.</p> <p><b>Second Generation</b></p> <p><b>Marketing:</b> Distribution targeted end-users and clients recommended by previous customers shifted from hawker center to private labelling export trading.</p> <p><b>Manufacturing:</b> Equipped with dry roasting technology embedded with hazard free stainless steel oven to produce flavored peas and nuts.</p> <p><b>Management:</b> Family members under founder's heir leadership. The next generation expanded into international market and export trading to innovate supply chain management.</p>	<p><b>First Generation</b></p> <p><b>Strategy:</b> Less likely to promote organizational capabilities but introduced manufacturing protocols where every staff should follow the peas and nuts cooking procedures from selecting, washing, frying and packaging solely decided by founder.</p> <p><b>Second Generation</b></p> <p><b>Strategy:</b> Less likely to introduce R&amp;D and professional management or increased production capabilities promoted flattened organization to enhance innovativeness and provided online customization and introduced fumigation method for export trading.</p>	<p><b>First Generation</b></p> <p><b>Enterprise Development:</b> Less likely to acquire new premises or established subsidiaries. Sourced for better supply of nuts and peas from various countries. Networked with toys and food stuffs association to develop the business with local food operation and hawker center.</p> <p><b>Regent Foods (Home based)</b> -Produced fried peanuts ordered upon requested by customers</p> <p><b>Regent Food Products (M) Sdn Bhd</b> -Choose quality peas and nuts to meet the customer requirement</p> <p><b>Regent Food (Raw Peas and Nuts)</b> Raw Peas and Nuts -India broad beans -Sri Lanka cashew nuts -Myanmar chickpeas -Cambodia green beans -China peanuts</p> <p><b>Regent Food (Processed Nuts)</b> Processed nuts -Salty nuts -Spicy Nuts -Sweet Honey Nuts -Flavor coated nuts -Mix Nuts</p> <p><b>Second Generation</b></p> <p><b>Enterprise Development:</b> Less likely to upgrade, though strongly influenced by 3Ms, keeps abreast with technological advancements by keeping pace with market demand and leading supplier of peas and nuts in southeast Asia.</p> <p><b>Regent Food Products (M) Sdn Bhd</b></p> <p><b>Regent Food (Domestic)</b> Packaging size based on food operator or hawker center requirement to enhance private labeling</p> <p><b>Regent Food (Export)</b> Packaging size based on export trading requirement from small to large packaging</p> <p><b>Regent Food Products</b> -Flavor peas and nuts -Spicy peas and nuts -Healthy peanuts -Sweet corn peanuts -Western peanuts -Roasted peanuts -Cracker nuts</p>
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Table 5.6 illustrates the 3Ms evolution, aligned with the strategy implemented 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 the 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, 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, i.e. of selling different types of sauces located at the major hypermarket in Malaysia. Instead, he carved out for Kum Thim a distinctive market niche by improving the firm's 3Ms; this involved the manufacture 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 <sup>st</sup> Generation)	Strategy (Next Generation)	Enterprise development (1 <sup>st</sup> Generation)	Enterprise development (Next Generation)
1. Eu Yan Sang (EYS) (Chinese Herbs)	Large Enterprise	1842-2011 (3 <sup>rd</sup> Generation) (Father-Cousin)	From tin-mining workers to Chinese medicine practice	From traditional remedies to scientific approach to herbal supplements	From attorney management to central administrative system	Promoted herbal concoctions by opening Chinese medical halls	Developed therapeutic formulation for certain illnesses	From Yan Sang medical hall	From EYS to TCM clinics, property & real estate and food biotechnology
2. Khong Guan (Biscuits)	Large Enterprise	1937-2011 (3 <sup>rd</sup> Generation) (Father-Nephew)	From Chinese market to non-Chinese market	From old metal scrap to Australia Arnotts biscuit formulation	From hiring staff from China to professional management	Promoted businesses related to primary trade	Developed Asian brand to serve Western market	From biscuits production to flour milling, investment	From biscuits to Asian food
3. London Biscuit (Biscuits)	Large Enterprise	1994-2011 (2 <sup>nd</sup> Generation) (Father-Son)	From kid's corn snack to instant based confectionery	From savoury corn snacks to instant twist packaging technology	From family management to COO/CEO management	Promoted acquiring strategy 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 <sup>nd</sup> Generation) (Father-Nephew)	From wedding cakes to Japan biscuits	From wedding cake mould 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 market	Upgraded to OEM biscuits to run from generational shadow	From Tatawato joint venture with sister company
5. King's Confection (Cakes & Breads)	Medium Enterprise	1977-2011 (2 <sup>nd</sup> Generation) (Father-Daughter-Son)	From hawker food corner to confectionery & lifestyle café retailing	From home-based oven bakeries to bakeries and pastries technology	From daughter's bakeries production to son's retailing management	Promoted Hainanese style pastries and bakeries	Developed retailing and franchising confectionery and lifestyle café	From hawker stall to King's pastries retail chain	From King's outlet to franchising with Tesco
6. Laksamana Usaha (Noodles)	Medium Enterprise	1975-2011 (2 <sup>nd</sup> Generation) (Father-Son-Daughter)	From 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 selling 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 <sup>nd</sup> 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 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 <sup>nd</sup> Generation) (Father-Son)	From Taiwan food to UK Tesco chain	From oil fried to air dried instant noodles production	From founder leadership to cyber virtual management	Promoted Malaysian authentic 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 <sup>rd</sup> Generation) (Father-Son-Nephew)	From local TCM to overseas Chinese market	From traditional herb remedies to essence health supplements	From traditional to combined East and West management	Promoted physician and herb remedies to local community	Developed herb remedies with scientific approach	From herbal shop to clinical medical hall	From herbal essence to health tourism gifts shop

Family Enterprises/ Business Nature	Type of Enterprise	Year of establishment/ Generation/ Succession	Marketing changes	Manufacturing Changes	Management Changes	Strategy (1 <sup>st</sup> Generation)	Strategy (Next Generation)	Enterprise development (1 <sup>st</sup> Generation)	Enterprise development (Next Generation)
10. Baker Cottage (Bakeries)	Large Enterprise	1994-2011 (3 <sup>rd</sup> Generation) (Father-Son-Grandson)	From chick farming to pastries retail chain	From chicken farming operation to integrated food processing	From family involvement to centralized management	Promoted poultry farming and livestock industry	Developed food processing in chicken and confectionery	From own farming to contract farming	From integrated farming to bakery house
11. Ghee Hiang (Sesame oil & Biscuits)	Small Enterprise	1865-2011 (3 <sup>rd</sup> Generation) (Father-Friends-Family)	From oriental pastries lover to tourist spot for Penang heritage food	From traditional recipe to biotechnology on sesame seed	From four family ownership to Ooi and Ch'ng family ownership management	Promoted China origin food culture by inviting pastry chef from Penang	Developed traditional excellence of Penang food	Upgraded from 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 <sup>nd</sup> Generation) (Father-Son)	From local Chinese restaurant to 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 sauces production	Developed Malaysian sauces production and recognized in global market	Upgraded from home based door-to-door selling to sauces production factory	Upgraded from sauces production to subsidiaries of frozen food and Yee Sang
13. KLT Food Industries (Restaurant)	Medium Enterprise	1972-2011 (2 <sup>nd</sup> Generation) (Father-Daughter-Son)	From Hong Kong food to KLT group of food production	From Dim Sum making to KLT dining cuisine, mooncakes and processed food	From restaurant keeper to food operation and processing chain	Promoted Hong Kong style cuisine to Malaysia diners	Developed KLT food production to promote fabulous food	Upgraded from hawker business to popular dining restaurant	Upgraded from dining restaurant chain to KLT food industries
14. Red Horse (Cordials)	Small Enterprise	1964-2011 (2 <sup>nd</sup> 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 core product	Developed multiple trademark to promote private label	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 <sup>nd</sup> Generation) (Father-Son)	From herbal practitioners to 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 <sup>nd</sup> 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 sauces production in different private labels	Upgraded from home-based to sauces production	Upgraded from sauces production to export-based private label
17. Regent Food (Peanuts)	Small Enterprise	1981-2011 (2 <sup>nd</sup> Generation) (Father-Son)	From hawker center to food operation and export trading	From unhealthy frying to oven healthy roasted technology	From authoritarian leadership to outsourcing management	Promoted production by relying on business network	Developed new products and stressed fumigation in export	Upgraded from home based fried nuts to food processing	Upgraded from nuts processing to export based private label

Tables 5.5 and 5.6 also indicate that the most important factor determining 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 longevity<sup>44</sup>". 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 2002<sup>45</sup>.

In contrast, entrepreneurs leaders such as 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 factory to produce pastries and bakeries, before going on to create a confectionery retail chain and lifestyle café, a pattern of growth the management had originally not imagined possible. King's Confectionery

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<sup>44</sup> Interview with the second generation marketing director from Tatawa, Andy Ng Yee Hui.

<sup>45</sup> Profit and loss account from Tatawa's financial statement, 2001-2002, SSM.

would eventually go into business franchising, targeting rural areas in Malaysia and subsequently, Bangladesh. Although Pak Hailam lifestyle Café performance report's registered a net loss of RM558, 502 in 2008 followed by RM584, 877 in 2009,<sup>46</sup> the management still insists 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, to remain a viable enterprise, the next generation had to develop management techniques with outsiders, outsource to business partners and improve R&D to enhance their labels to create export capacities. To Eng Hup Seng, the next generation promoted private labels to the largest food manufacturers also 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 the lack of a formal structure in the family business, with the 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 toward professionalism is a major characteristic observed among these SMEs. The next generation moved from managing by informal linkages and regular face-to-face contact to formalizing linkages and having

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<sup>46</sup> Profit and loss account from Pak Hailam's financial statement, 2008-2009, SSM.

defined responsibilities. Some even move into flattened organization to encourage flow of innovation to promote newly food trends (see Table 5.7).

Table 5.7: Analysis of Effect of Generational Change on Tacit Knowledge, 3Ms and Organizational Outcomes, Based On Size and Age of Family SME

Size and Age of Family Enterprise	Generational Change in 3Ms	Strategic Management in 3Ms	Enterprise Development in 3Ms
<b>Large Scale Family Enterprise</b> <b>Food</b> (London Biscuit, Khong Guan, Eu Yan Sang, Baker's Cottage and TPC Plus)	<b>From First to the Next Generation</b>  <b>Marketing:</b> Marketed as Asian foods such as biscuits, TCM, canned drink and food.  <b>Manufacturing:</b> Manufactured under new technology adopted such as tetra packaging, twist wrapping with Disney character and frozen technology.  <b>Management:</b> Managed under joint ventures with Ajinomoto, British natural product, Lonbisco and Arnott.	<b>From First to the Next Generation</b>  <b>Strategy:</b> Developed 3Ms to engage between traditional methods with globalized trends such as therapeutic formulation medicine, Southeast Asia instant confectionery, Asian and tropical canned foods and drinks and Malaysian pastries.	<b>From First to the Next Generation</b>  <b>Enterprise Development:</b> Upgraded the enterprise to innovate tacit knowledge into different approach such as TCM healing centre, East-west assorted biscuits production, tropical Southeast Asian canned foods, biotechnology poultry farming and livestock industry.
<b>Medium Scale Family Enterprise</b> <b>Food</b> (Tatawa, Kum Thim, King's Confectionery, KLT Food, Laksamana Usaha, Vit Makanan, Besfomec)	<b>From First to the Next Generation</b>  <b>Marketing:</b> Marketed as famous local brands such as King's pastries, Kum Lun Tai restaurant chain, Vit's instant noodles and Fomec essence products.  <b>Manufacturing:</b> Manufactured through value-added technology to achieve recognition such as clean technology, convenience frozen technology, healthy air-dried production and good manufacturing practice.  <b>Management:</b> Managed under flatted organization to enhance openness ideas such as COO/CEO management, cyber virtual management and formed R&D team.	<b>From First to the Next Generation</b>  <b>Strategy:</b> 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.	<b>From First to the Next Generation</b>  <b>Enterprise Development:</b> Upgraded the enterprise to innovate tacit knowledge and increased lifestyle choices such as lifestyle café, food fusion food operation chain, tourism gift shop, Malaysian cleanest noodles enterprise.
<b>Small Scale Family Enterprise</b> <b>Food</b> (Red Horse, Hei Hwang, Regent Food, Eng Hup Seng, Ghee Hiang)	<b>From First to the Next Generation</b>  <b>Marketing:</b> Marketed as personalized private label to target export market such as fruit juice trademark label, order upon request peanuts and health supplements.  <b>Manufacturing:</b> Manufactured under private label, customization and sell-in-bulk to capture larger market such as mechatronics labelling, instant coffees and commercial grade sesame oil.  <b>Management:</b> Managed under flexibility organization to enhance free flow of innovation ideas away from generational shadow such as outsourcing, professional management and staff engagement.	<b>From First to the Next Generation</b>  <b>Strategy:</b> Developed 3Ms to capture bigger market with penetration through export such as halal fruit juice for Arab countries, Southeast Asia sauces for Asian mart, Penang heritage foods for tourists.	<b>From First to the Next Generation</b>  <b>Enterprise Development:</b> Upgraded the enterprise to innovate tacit knowledge but still remained 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 a bearing on innovative production and marketing techniques. These reforms included, particularly in large firms, decentralized IT management particularly involving financial matters to achieve profitable performance for the family business. Medium scale SMEs were particularly able to seize new market 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 locally food products. For instance, Hei Hwang was able to delegate duties to Lee's brothers to promote export and import business opportunities in Ipoh Coffee and health beverages in order to cope with the declining business in traditional herbal drinks production during first generation. As a result, Hei Hwang's brothers were able to team up with farmers from China and at the same time explored more business opportunities in Malaysia-China investment links, particularly involving agro-based products.

Table 5.7 shows how the 3Ms of this process of change 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 establishment of 3Ms, the family business usually lack specific knowledge how to upgrade the 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 family business when passed to the succeeding generation who had the capacity to upgrade the quality of the product and the range of 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 have been codified into variety types of TCM herbs and other traditional medication capsules and powders sold through its 60 retail outlets in Southeast Asia as well as overseas. The same process was seen in Besfomec which, with much research and testing, the next generation finally hit upon the right formula for their new products. And, as mentioned, in Ghee Hiang, the firm maintained the traditional food preparation in sesame oil and oriental pastries that the founder had introduced, though they developed the quality its product through R&D, emerge as a firm producing heritage food stuffs.

#### **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 occurred after a generational change. However, notwithstanding the differences in management style and strategy implementation between the leaders of different generations, every strategy was not implemented at the same time; some key variables were activated at different points of time. Most of the medium scale and large scale family SMEs in the food production as shown in the Tables 5.5, 5.6 and 5.7 always added value in the processing chain to achieve recognition and capture a bigger market in the international marketplace. The medium scale SMEs were keen to adapt 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 Tianje<sup>47</sup> mooncakes, setup 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 responsibility to expand from traditional bakeries into bakeries retail chain, enhance centralized administrative system linked with parent company and adopt latest technology to produce signature mooncakes<sup>48</sup>.

The innovation culture can be transferred from one generation to the next, possibly due to the fact that the founder and the next generation willing to accept each other's skills that contributed 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."*<sup>49</sup>

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

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<sup>47</sup>"Tianje" refers to the name adopted from a Chinese and Japanese character that means honorable, respectful, talented, skillful people. Tatawa Biscuits adopted Japanese ideas to produce Tianje biscuits.

<sup>48</sup>Mooncakes refers to sweet bakeries traditionally consumed during the Mooncake festival. The Mooncake festival is one of the four most important Chinese festivals.

<sup>49</sup> Interview on 20 August 2012 and conducted in London Biscuit Berhad, Johor Bharu.

patriarch served these family businesses well in the 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 to respond quickly to changing market trends.

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, in King's Confectionery, as shown in Table 5.8, 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 Confectionary's pastries adopted from the accumulated experience of serving western pastries during the British colonial period. Wong Ley Hoi, Wong's brother, started being aware of each of their sibling's different needs and willingness to engage and involve themselves in different aspects of the enterprise, marketing, management and 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 technologies to improve food products. There was a focus on innovation through R&D which led to the production of new products, including professionalizing the management and/or setting up joint ventures. This is clearly indicated in the 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 most of the first generation did not have much of a formal education, they given much attention on carrier development through education and training.





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






SME's Tacit Knowledge	Generational Change and Innovation Capacity	Strategy Management	Organization Outcome
<p><b>1. Eu Yan Sang (EYS) (Large Scale Enterprise) (1842-2011)</b></p> <p><b>First Generation (Tacit knowledge)</b> - Knowledge in Chinese physician remedies</p> 	<p><b>First Generation</b></p> <p><b>Skill:</b> Interpreted and adopted Chinese remedies knowledge from China.  <b>TopDown:</b> Top management involved by hiring herbalist worked in the medical hall.  <b>PUI:</b> Openness to ideas to turn from herbs trading stores to Chinese medical hall.  <b>Involvement:</b> Considered as "peripheral business" managed by trusted employees who were not belongs to Eu family member.</p>	<p><b>First Generation</b></p> <p><b>Strategy:</b> Promoted treatment to those China origin tin-mining workers in Malaya who suffered in the clutches of opium onto the eminently more beneficial herbal concoctions.</p>	<p><b>First Generation</b></p> <p><b>Enterprise Development:</b> Established Chinese remedies medical hall and promoted healthcare diagnostic to persuade the workers consumed Yan Sang herbal concoctions which dates back to the Ming dynasty.</p>
<p><b>Second Generation (Create the concept)</b> - Established herbal concoction Chinese medical hall</p>  <p><b>(Convert to codify)</b> - Converted into Eu Yan Sang retail shop and clinics</p> 	<p><b>Second Generation</b></p> <p><b>Skill:</b> Interpreted and developed tacit knowledge herbal remedies who suffered in opium to health maintenance remedies.  <b>TopDown:</b> Top management controlled by Eu ownership prioritized to "attorneys" to monitor the businesses activities.  <b>PUI:</b> Openness ideas to exchange ideas on new found remedies within oversea Chinese market (Malaysia, Singapore, Hong Kong and China)  <b>Involvement:</b> Remained as Eu Tong Sen's sole proprietorship to retain Eu Yan Sang empire.</p>	<p><b>Second Generation</b></p> <p><b>Strategy:</b> Extended innovation capacity shifted from Yan Sang medical shop to Eu Yan Sang medical shop who practice traditional Chinese medicine and achieved global market recognition.</p>	<p><b>Second Generation</b></p> <p><b>Enterprise Development:</b> Established entrepreneur dynamism holding enterprises to manage all the business and ventured to the properties and plantations. Opened various herbal retail shop in Malaya.</p>
<p><b>Third Generation (Innovation Capacity)</b> - Redesign packaging on EYS products to be sold at retail stores</p> 	<p><b>Third Generation</b></p> <p><b>Skill:</b> Interpreted tacit knowledge to adopt training and apprenticeship nurtured experienced skilled personnel.  <b>TopDown:</b> Top management monitored by professional teams as the largest shareholder with dominant influences.  <b>PUI:</b> Openness to ideas redesigned the product packaging to be sold at the retail outlets.  <b>Involvement:</b> Lack of interest to handle family business and rely on collected dividends from their shareholdings. Decimated by Lum Chang's takeover.</p>	<p><b>Third Generation</b></p> <p><b>Strategy:</b> Redesign the products packaging and setup central purchasing center for its six retail outlets, Implemented professional management to manage the family business.</p>	<p><b>Third Generation</b></p> <p><b>Enterprise Development:</b> Extended production line to establish EYS retail stores. Property became Eu Yan Sang core business rather than traditional Chinese medicine.</p>
<p><b>Upcoming Generation (Enterprise Development)</b> - Extended into professional global traditional healing center combined with scientific approach</p> 	<p><b>Upcoming Generation</b></p> <p><b>Skill:</b> Interpreted tacit knowledge to highlight traditional Chinese medicine to be more scientific approach embraced with British based Oxford natural food production.  <b>TopDown:</b> Top management involved by cousins consortium to reverse takeover from Lum Chang and each top executive lead by professional assistant.  <b>PUI:</b> Openness to ideas, though new retail outlets will be opened in strategic location with new markets and new pharmaceutical products and health supplements.  <b>Involvement:</b> Strong entrepreneurial leadership and professional management progressed rapidly as global recognized health care center.</p>	<p><b>Upcoming Generation</b></p> <p><b>Strategy:</b> Promoted traditional Chinese medicine (TCM) as Asian medical practice to grow as global TCM healing company. Appeal to the non-Chinese market particularly in the west to adopt scientific approach medical treatment</p>	<p><b>Upcoming Generation</b></p> <p><b>Enterprise Development:</b> Extended different kinds of production line became unique, largest retail Chinese EYS herbal stores surrounded with TCM clinics appealed to the niche market in traditional health maintenance.</p>



<p><b>2. Khong Guan (Large Scale Enterprise) (1937-2011)</b></p> <p><b>First Generation (Tacit Knowledge)</b> - Knowledge in biscuit production during postwar</p>   <p><b>Second Generation (Create the concept)</b> - Established flour milling technology to produce own Khong Guan biscuits</p>  <p><b>(Convert to codify)</b> - Converted into Arnotts biscuits production formula from Australia</p>  <p><b>Third Generation (Innovation Capacity)</b> - Redesigned packaging and promoted innovative distribution channel to be the finest brand in China and USA.</p>  <p><b>(Enterprise Development)</b> - Extended into Asian food platform accompanied with other Asian food brands appealed to non-Asian market</p> 	<p><b>First Generation</b></p> <p><b>Skill:</b> Interpreted and adopted biscuits production from the accumulated experience during post-war period.</p> <p><b>Top Down:</b> Top management involved by inviting family members and schoolmates from China to promote knowledge engagement.</p> <p><b>PUI:</b> Openness to ideas implemented conveyor system with brick oven for biscuits making.</p> <p><b>Involvement:</b> Considered as Chew's family business legacy only managed by Chew's family members to protect tacit knowledge.</p> <p><b>Second Generation</b></p> <p><b>Skill:</b> Interpreted tacit knowledge to introduce flour milling technology in producing own trademark of KG biscuits.</p> <p><b>Top Down:</b> Top management controlled by Chew's ownership to monitor various businesses related to the primary trade.</p> <p><b>PUI:</b> Openness ideas to access Australian Arnotts biscuit production to achieve global recognition.</p> <p><b>Involvement:</b> Remained Chew family clear intension of mission to turn Khong Guan group into diversity investment company.</p> <p><b>Third Generation</b></p> <p><b>Skill:</b> Interpreted tacit knowledge in line with globalized trends referred to different food culture in the global marketplace.</p> <p><b>Top Down:</b> Top management monitored by cousin consortium formed as professional teams to manage overseas business.</p> <p><b>PUI:</b> Openness to ideas, through promoted Khong Guan as Asia's finest food brand.</p> <p><b>Involvement:</b> Strong family participation in Khong Guan holding corporation equipped with higher education to promote international business.</p>	<p><b>First Generation</b></p> <p><b>Strategy:</b> Promoted different types of business trading from the accumulated experience during post war period in the tough circumstances. Reused old war damaged biscuits making machines to develop production line in Malayan, Singapore and China.</p> <p><b>Second Generation</b></p> <p><b>Strategy:</b> Extended innovations to introduce Khong Guan supply chain management and owned flour milling, transportation agent and property agent to achieve recognition in the local market place.</p> <p><b>Third Generation</b></p> <p><b>Strategy:</b> Introduced mass market chains like Safeway, Lucky's, and Costco in USA. Khong Guan worked with popular Asian food brands from Philippines, Taiwan, Malaysia, Indonesia and Singapore appealed to non-Asian market.</p>	<p><b>First Generation</b></p> <p><b>Enterprise Development:</b> Established own biscuits production line in Southeast Asia embedded with local food culture by own engineering outfit. Appealed to the Chinese in Southeast Asia mostly migrated from China.</p> <p><b>Second Generation</b></p> <p><b>Enterprise Development:</b> Promoted entrepreneur dynamism enterprise to establish own flour milling, shipping, manufacturing, trading commodities and property related to the primarily trade and achieved recognition in the export trading.</p> <p><b>Third Generation</b></p> <p><b>Enterprise Development:</b> Extended joint venture partnership with other food production to serve as Asian finest food platforms mainstreamed the market with the potential for brand development beyond the niche market.</p>
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<p><b>3.London Biscuit (Large Scale Enterprise) (1994-2011)</b></p> <p><b>First Generation</b> (Tacit knowledge) -Knowledge in experience accumulated when involved in different business trading</p>  <p>(Create the concept) -Acquired food SMEs to master in the snack food production to enhance knowledge transfer</p> 	<p><b>First Generation</b></p> <p><b>Skill:</b> Interpreted and adopted family background in timber trading and later ventured into food industry.</p> <p><b>Top Down:</b> Top management under founder's leadership introduced western management when he studied and worked at Singapore.</p> <p><b>PUI:</b> Openness to ideas used acquisition strategy and owned the food SMEs to learn the food technology.</p> <p><b>Involvement:</b> Established Liew's family business and assigned the family members to involve in the higher position mostly at the sales and marketing.</p>	<p><b>First Generation</b></p> <p><b>Strategy:</b> The founder utilized the experience accumulated from the business trading in timber industry, plantation, hotel, restaurant and property development. Later ventured into corn snack food industry after capital accumulated from the previous business trading.</p>	<p><b>First Generation</b></p> <p><b>Enterprise Development:</b> Established multiple production line ranges from corn snacks to instant roll cakes and purchased more premises to be the biggest roll cake production in Southeast Asia.</p>
<p><b>Second Generation</b> (Convert to codify) -Converted into instant and convenience confectioneries such as roll cake and candies to explore export trading</p>  <p>(Innovation Capacity) -Redesign packaging with Disney character to turn London Biscuit into integrated instant based confectioneries in Southeast Asia</p>  <p>(Enterprise Development) -Extended into Southeast Asia biggest cake roll production and penetrated into global Halal market</p> 	<p><b>Second Generation</b></p> <p><b>Skill:</b> Interpreted tacit knowledge from corn based snack food technology to the Disney character licensing twist wrap packaging in the convenience food category.</p> <p><b>Top Down:</b> Top management under Liew's sibling partnership lead by Chief Executive Officer (CEO), Chief Finance Officer (CFO) and Chief Operational Officer (COO).</p> <p><b>PUI:</b> Openness ideas and acquired more food production SMEs in egg poultry, candies and confectioneries related to the primary trade.</p> <p><b>Involvement:</b> Retained Liew's sibling partnership between brothers and sisters who assigned into external and internal operation in professional food corporation.</p>	<p><b>Second Generation</b></p> <p><b>Strategy:</b> Extended innovation capacity to rebuild the customized warehouse and greatly participated in the food exhibition to create new brand image of Southeast Asia instant confectioneries during global financial crisis.</p>	<p><b>Second Generation</b></p> <p><b>Enterprise Development:</b> Established Lonbisco group of companies and assigned the distributor mostly located at Southeast Asia to be the largest roll cake production targeted Halal market, Asian market, Disneyland countries and European countries.</p>







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

<p><b>S.King's Confectionery (Medium Scale Enterprise) (1977-2011)</b></p> <p><b>First Generation Part I (Tacit knowledge)</b> -Knowledge in traditional making of Hainan coffee and desserts.</p> 	<p><b>First Generation Part I</b></p> <p><b>Skill:</b> Interpreted and adopted traditional ethnic based Hainan coffee and pastries. <b>Top Down:</b> Day- to- day operation mostly controlled by founder and assigned his wife and heirs as helper. <b>PUI:</b> Openness to ideas inserted food fusion between Hainan foods with Malaysia delights. <b>Involvement:</b> Bringing founder's daughters to involve in the daily business operation to serve the daily customer who visited their café.</p>	<p><b>First Generation Part I</b></p> <p><b>Strategy:</b> The founder utilized his knowledge passionate in making traditional Hainan foods to serve the local community with coffee and dumpling dessert</p>	<p><b>First Generation Part I</b></p> <p><b>Enterprise Development:</b> Established ethnic based hawker style café to provide breakfast and afternoon tea time in Batu Arang, Rawang for the local community.</p>
<p><b>First Generation Part II (Create the concept)</b> -Established down recipe and passionate of King's pastries ventured into pastries house</p>  <p><b>(Convert to codify)</b> -Converted from pastries selling in market to personal concept based confectionery retail chain</p> 	<p><b>First Generation Part II</b></p> <p><b>Skill:</b> Interpreted tacit knowledge from traditional Hainan food to the western pastries based on accumulated experience and interest from the British colonial. <b>Top Down:</b> Top management under founder's heirs lead by eldest daughter and son in law to monitor production and financial operation. <b>PUI:</b> Openness ideas promoted King's bakeries such as cakes, tarts, breads and Danish puff coordinated by Madam Wong Yoke Khing. <b>Involvement:</b> Engaged siblings under Madam Wong's leadership to assign certain job position favoured to nepotism to avoid agency problem.</p>	<p><b>First Generation Part II</b></p> <p><b>Strategy:</b> Extended innovation capacity based on accumulated experience when Madam Wong worked at Coliseum café. Created King's bakeries and pastries solely based on own ideas to venture into confectionery retail chain.</p>	<p><b>First Generation Part II</b></p> <p><b>Enterprise Development:</b> Established King's confectionery retail chain outlets targeted at the urban area and established factory warehousing to distribute the pastries and bakeries to all their outlets in Malaysia.</p>
<p><b>Second Generation (Innovation Capacity)</b> -Planned an innovative marketing distribution to setup overseas branches in Bangladesh to capture India market</p>  <p><b>(Enterprise Development)</b> -Extended into King's confectionery and Pak Hailam café business franchising with OEM capabilities</p> 	<p><b>Second Generation</b></p> <p><b>Skill:</b> Interpreted tacit knowledge from the bakeries and pastries production to introduce traditional Hainan food production promoted Pak Hailam lifestyle café. <b>Top Down:</b> Top management shifted from Madam Wong's leadership to LH Wong's emphasized on business franchising. <b>PUI:</b> Openness ideas promoted in house R &amp;D and OEM food production targeted airline industry and food processing industry. <b>Involvement:</b> Engaged siblings under LH Wong's leadership to assign business franchising and explore more business opportunities in the new business.</p>	<p><b>Second Generation</b></p> <p><b>Strategy:</b> Extended innovation capacity ventured into new business opportunities from hawker style café to King's confectionery retail chain and lastly into Pak Hailam lifestyle café enhanced business partnership from time to time.</p>	<p><b>Second Generation</b></p> <p><b>Enterprise Development:</b> Established franchise business to enforce business partnership with Tesco stores and other larger food industry to become most recognized King's confectionery and lifestyle café and captured market demand in Malaysia and Bangladesh.</p>







<p><b>6.Laksamana Usaha (Large Scale Enterprise) (1975-2011)</b></p> <p><b>First Generation (Tacit knowledge)</b> -Knowledge in traditional noodles preparation adopted from Fujian, China</p>  <p><b>(Create the concept)</b> -Established noodles production specialties based on Malaysia authentic style.</p>  <p><b>Second Generation (Convert to codify)</b> -Converted into cleanest noodles specialties production in nice packaging</p>  <p><b>(Innovation Capacity)</b> -Redesigned packaging and produced food ingredients based on Malaysia authentic cooking style.</p>  <p><b>(Enterprise Development)</b> -Extended into cleanest noodles production in Malaysia with Halal certified appointed as noodles supplier in Malaysia Chinese Muslim restaurant chain</p> 	<p><b>First Generation</b></p> <p><b>Skill:</b> Interpreted and adopted traditional hand-made noodles production.</p> <p><b>Top Down:</b> Top management lead by founder's wife and his siblings involved in home based noodles production run by the relatives.</p> <p><b>PUI:</b> Openness ideas produced uniqueness Malaysia noodles specialties adopted from traditional recipe.</p> <p><b>Involvement:</b> Retained old staffs in the noodles production and reluctant to hire outsiders to manage the family business.</p> <p><b>Second Generation</b></p> <p><b>Skill:</b> Interpreted tacit knowledge from noodles production to introduce cleaner technology in noodles production to build on good reputation in the local market.</p> <p><b>Top Down:</b> Top management under founder's sons and daughter leadership in administration, accounting, sales and marketing.</p> <p><b>PUI:</b> Openness to ideas and redesigned product packaging to capture bigger distribution channel and produced cooked food ingredients.</p> <p><b>Involvement:</b> Founder leadership replaced with son leadership. Promoted professional management and implemented inter-ethnic business networking to penetrate into global Halal food opportunities.</p>	<p><b>First Generation</b></p> <p><b>Strategy:</b> The founder adopted traditional noodles production from Fujian, China and introduced to the Malaysia food industry. The founder utilized the networking with the hawker center and noodles wholesaler to distribute their noodles.</p> <p><b>Second Generation</b></p> <p><b>Strategy:</b> Extended innovation capacity to apply cleaner technology and achieved Halal recognition penetrated into Malaysia local food industry. Highly innovated in supply chain management to distribute the production to the Chinese Muslim restaurant chain in Malaysia.</p>	<p><b>First Generation</b></p> <p><b>Enterprise Development:</b> Established home based noodles specialties production in Ampang and distributed to the local food operation chain mostly act as ethnic enterprise focused on Chinese customer in Malaysia. Remained as non-halal food enterprise.</p> <p><b>Second Generation</b></p> <p><b>Enterprise Development:</b> Established as Malaysia cleanest noodles enterprise with Halal certification targeted local food operation chain, supermarket chain, hawker centre and restaurant chain.</p>
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<p><b>7.TPC Plus (Large Scale Enterprise) (1976-2011)</b></p> <p><b>First Generation (Tacit knowledge)</b> -Knowledge in poultry farming to produce quality eggs.</p>  <p><b>(Create the concept)</b> -Established integrated Yee's poultry farming to produce fresh eggs and distributed to the fast food restaurant chain</p> 	<p><b>First Generation</b></p> <p><b>Skill:</b> Interpreted and adopted traditional poultry operation into integrated egg's poultry.</p> <p><b>Top Down:</b> Top management under founder's leadership with his 4 sons and worked from lower to the top management and required more educated staff to sit on the top position.</p> <p><b>PUI:</b> Openness to ideas and produced quality eggs for fast food retail chain in Malaysia.</p> <p><b>Involvement:</b> The family members started to conduct networking with food operation chain and government authorities to increase production capabilities.</p>	<p><b>First Generation</b></p> <p><b>Strategy:</b> The founder with his sons achieved quality assurance from local and foreign authorities and laboratories to achieve recognition. Upgraded into air conditioned integrated poultry farming focused on veterinary and agricultural to stay competitive in the marketplace.</p>	<p><b>First Generation</b></p> <p><b>Enterprise Development:</b> Established Yee family owned of Teck Ping Chan agricultural enterprise and ventured into poultry farming, animal feeds, property and realty investment. Moved from second board to the main board of public listed company.</p>
<p><b>Second Generation (Convert to codify)</b> -Converted into Taiwanese poultry farming technology to biotechnology in organic food.</p>  <p><b>(Innovation Capacity)</b> -Shifted to biotechnology in enzyme vinegar by mastering in Taiwanese technology.</p>  <p><b>(Enterprise Development)</b> -Extended from Malaysia poultry farming to the organic food production adopted technology from Taiwan and slowly achieve recognition in Malaysia.</p> 	<p><b>Second Generation</b></p> <p><b>Skill:</b> Interpreted tacit knowledge from poultry farming to agriculture activities and ventured into biotechnology to produce enzyme vinegar.</p> <p><b>Top Down:</b> Top management changed from Yee to Liew's family leadership after sold it to Lonbisco and Huat Lai.</p> <p><b>PUI:</b> Openness to ideas and targeted multiple distribution channel started from fast food restaurant chain to confectionery and biotechnology.</p> <p><b>Involvement:</b> Old staffs still involved in the daily operation but the major decision making was controlled by Liew family. Liew family given enough autonomy to their experience staffs to coordinate the organization structure.</p>	<p><b>Second Generation</b></p> <p><b>Strategy:</b> Yee's brother sold their Yee's family business to their main customer, Lonbisco who involved in the confectionery since the next generation refuse to join in. Ventured into biotechnology based on accumulated experience adopted from Taiwanese poultry farming operation.</p>	<p><b>Second Generation</b></p> <p><b>Enterprise Development:</b> Changed from Yee's family enterprise to under 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><b>8. Vit's Makanan (Medium Scale Enterprise) (1975-2011)</b></p> <p><b>First Generation (Tacit knowledge)</b> -Knowledge in Taiwanese food trading experience</p>  <p><b>(Create the concept)</b> -Established instant noodles production by adopting business experience to distribute Taiwan food</p>  <p><b>Second Generation (Convert to codify)</b> -Converted instant noodles production into innovative supply chain targeted Halal market and export trading</p>  <p><b>(Innovation Capacity)</b> -Rebranding from targeted hawker centre to supermarket and finally into higher learning institution and global Halal market</p>  <p><b>Enterprise Development)</b> -Extended from Malaysia instant noodles production to global Halal food production targeted export trading and international shopping retail chain.</p> 	<p><b>First Generation</b></p> <p><b>Skill:</b> Interpreted and adopted Taiwanese food trading experience and ventured into instant noodles production.</p> <p><b>Top Down:</b> Top management lead under founder leadership and elderly staffs with closer relationship with founder normally placed at the upper management.</p> <p><b>PUI:</b> Openness to ideas and referred to the different Taiwanese products focused in instant noodles production captured from Malaysia market to the global marketplace.</p> <p><b>Involvement:</b> The founder engaged the staffs to shift from food trading to the noodles production and spent time to understand the production operation adopted from high technology.</p> <p><b>Second Generation</b></p> <p><b>Skill:</b> Interpreted tacit knowledge from Taiwanese food trading and focused in the instant noodles category and produced Malaysian style of instant noodles.</p> <p><b>Top Down:</b> Top management under founder's sons who was implemented virtual management to engage top down relations rather than pyramid organization structure.</p> <p><b>PUI:</b> Openness to ideas targeted young students in and global Halal food supply chain to distribute Vit's instant noodles to the higher learning institution and UK Tesco stores.</p> <p><b>Involvement:</b> More young educated staffs involved in the daily operation to innovate supply chain management and enhance administration coordination between internal and external operation.</p>	<p><b>First Generation</b></p> <p><b>Strategy:</b> The founder shifted from rent premises to larger integrated factory warehousing came with latest technology in instant noodles production after adopted the trading experience in Taiwanese foods.</p> <p><b>Second Generation</b></p> <p><b>Strategy:</b> Innovated supply chain management to implement virtual management and explore more opportunities in the distribution channels such as young students, global Halal market, new export trading and Overseas Chinese market.</p>	<p><b>First Generation</b></p> <p><b>Enterprise Development:</b> Established Vit's Makanan instant noodles production with phoenix as their registered trademark represented this enterprise solely inherited traditional Chinese culture in the production.</p> <p><b>Second Generation</b></p> <p><b>Enterprise Development:</b> Established new image of Vit's noodles production to be an appointed Malaysia SMEs to supply Halal foods to UK Tesco stores and Malaysia all time university student favourites.</p>
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<p><b>9. Besfomec (Medium Scale Enterprise) (1948-2011)</b></p> <p><b>First Generation (Tacit knowledge)</b> -Knowledge in physician knowledge in herbal remedies.</p>  <p><b>(Create the concept)</b></p> <p>↓</p> <p>-Established Chinese medical hall and hired physician and herbalists from China.</p>  <p><b>Second Generation (Convert to codify)</b> -Converted into the boiler technology to produce healthy essences</p>  <p>↓</p>  <p><b>Third Generation (Innovation Capacity)</b> -Codified Chinese medicine knowledge into scientific approach pharmaceutical</p>  <p><b>(Enterprise Development)</b> -Extended from herbal shop to Besfomec group of companies and ventured into gift shop</p> 	<p><b>First Generation</b></p> <p><b>Skill:</b> Interpreted and adopted physician herbal remedies in Chinese medicine.</p> <p><b>Top Down:</b> Top management under founder leadership and hired herbalist from physician (top) to herbalist assistant (middle) and labour (down management).</p> <p><b>PUI:</b> Openness ideas to make use of Chinese moral values, Yin and Yang and physician knowledge to introduce herbal remedies.</p> <p><b>Involvement:</b> The founder practice Chinese moral values by combining knowledge from the herbalist and involved in the medical hall operation.</p> <p><b>Second Generation</b></p> <p><b>Skill:</b> Interpreted tacit knowledge from herbal remedies to essence health foods.</p> <p><b>Top Down:</b> Top management replaced with founder's 5 sons. Top position always depended on elder age and sons usually assigned in production, marketing and distribution.</p> <p><b>PUI:</b> Openness ideas align with the government efforts to produce local made health supplements in essence products.</p> <p><b>Involvement:</b> Lau family members mostly involved in the subsidiaries from herbal trading to packaging, logistic and property investment.</p> <p><b>Third Generation</b></p> <p><b>Skill:</b> Interpreted tacit knowledge from essence health supplements combined with western based pharmaceutical.</p> <p><b>Top Down:</b> Top management under founder's grandchildren replaced herbalist at the top position to the pharmacist working teams.</p> <p><b>PUI:</b> Openness ideas promoted R &amp; D in health supplements and introduced tourism by referring Malaysia health gift shop concept.</p> <p><b>Involvement:</b> The next generation involved in the scientific approach R &amp; D combined traditional herbal remedies into scientific traditional Chinese medicine.</p>	<p><b>First Generation</b></p> <p><b>Strategy:</b> The founder established Chinese herbs shop adopted from accumulated knowledge experience as herbalist to provide medical service to the local Chinese community in Malaya.</p> <p><b>Second Generation</b></p> <p><b>Strategy:</b> Promoted Good Manufacturing Practice (GMP) to achieve recognition in the export trading from domestic market to the international marketplace. Using personal network as Malaysia Chinese to cooperate with Overseas Chinese market in Southeast Asia</p> <p><b>Third Generation</b></p> <p><b>Strategy:</b> Shifted from herbal shop to factory warehousing to produce essence products and gifts targeted export trading and tourism industry to promote Malaysia as main choice in health tourism.</p>	<p><b>First Generation</b></p> <p><b>Enterprise Development:</b> Established Chinese herbal shop with physician service targeted local Chinese community in Malaysia to provide herbal remedies for general well-being.</p> <p><b>Second Generation</b></p> <p><b>Enterprise Development:</b> Established food industries to produce Fomec's essence products combined with traditional knowledge in herbal remedies and essence foods from herbal to achieve recognition in the marketplace.</p> <p><b>Third Generation</b></p> <p><b>Enterprise Development:</b> Established Besfomec group of companies with Fomec's trademark to turn from herbal shop to the essence manufacturer and Malaysia gift shop as tourist popular spot.</p>
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<p><b>10. Baker Cottage (Large Scale Enterprise) (1994-2011)</b></p> <p><b>First Generation (Tacit knowledge)</b> -Knowledge in traditional poultry chick farming</p> 	<p><b>First Generation</b></p> <p><b>Skill:</b> Interpreted and adopted knowledge experience in poultry chick farming.</p> <p><b>Top Down:</b> Top management under founder's leadership but enhanced sibling partnership and vertical strategy management in top down relationship.</p> <p><b>PUI:</b> Openness to ideas from poultry farming operation to contract farming and later ventured into meat processing and restaurant.</p> <p><b>Involvement:</b> The siblings assigned to manage local poultry farming and later learned to outsource for the contract farming and planned to establish livestock plant in Southeast Asia countries.</p>	<p><b>First Generation</b></p> <p><b>Strategy:</b> The founder adopted vertical integration strategy in all facets of chicken business. Upgraded the feeding strategy and broiler farming operation to distribute fresh chicken to the fast food restaurant chain such as KFC.</p>	<p><b>First Generation</b></p> <p><b>Enterprise Development:</b> Established integrated poultry chick farming and promoted contract farming in Malaysia to distribute into large consumed countries such as Singapore and Philippines.</p>
<p><b>Second Generation (Create the concept)</b> -Established vertical integrated poultry chick farming and ventured R &amp; D in biotechnology to achieve recognition</p>  <p><b>(Convert to codify)</b> -Converted into contract manufacturing and layer framing to diversify business activities into paper production, biotechnology, meat processing and café related to the poultry industry.</p> 	<p><b>Second Generation</b></p> <p><b>Skill:</b> Interpreted tacit knowledge from poultry farming to layer framing and focused R &amp; D by adding value in producing poultry medicine and vitamins</p> <p><b>Top Down:</b> Top management under founder's sons. Founder's siblings retired and given next generation to monitor business in overseas to achieve recognition in livestock industry.</p> <p><b>PUI:</b> Openness to ideas and ventured into biotechnology to promote duck farming and agricultural activities.</p> <p><b>Involvement:</b> Lau family members began to involve and focused R &amp; D and laboratories testing in biotechnology to penetrate livestock industry in the overseas.</p>	<p><b>Second Generation</b></p> <p><b>Strategy:</b> Promoted different business trading related to the poultry chick farming and this generation tried to upgrade production capabilities by focusing R &amp; D in biotechnology to stay competitive in the future market in the livestock industry.</p>	<p><b>Second Generation</b></p> <p><b>Enterprise Development:</b> Established integrated poultry chick farming and layer farming to enhance knowledge sharing between their overseas subsidiaries and transformed into mostly recognize enterprise in chick farming.</p>
<p><b>Third Generation (Innovation Capacity)</b> -Rebranding and ventured into and retail chain bakeries house and café.</p>  <p><b>(Enterprise Development)</b> -Extended from poultry chick framing to the professionalized food corporation in biotechnology and food processing</p> 	<p><b>Third Generation</b></p> <p><b>Skill:</b> Interpreted tacit knowledge from poultry chick farming to bakeries house and café.</p> <p><b>Top Down:</b> Top management under founder's grandchildren to restructure the organization and invited young staffs to develop more current trend business.</p> <p><b>PUI:</b> Openness to ideas and ventured into meat processing by establishing A1 food and established Baker Cottage dealt with pastries and mooncakes.</p> <p><b>Involvement:</b> The Lau's third generation family members who highly educated preferred to involve in concept based bakeries house and café such as Baker Cottage and BC Restaurant.</p>	<p><b>Third Generation</b></p> <p><b>Strategy:</b> Third generation family members given greater autonomy to operate the bakeries house and café and allowed to utilize the resources from Leong Hup Group (parent company) in value added processing chain.</p>	<p><b>Third Generation</b></p> <p><b>Enterprise Development:</b> Established retail business chain of bakeries house and café and introduced newly hot sell mooncakes products and became most branded mooncakes enterprise in Malaysia.</p>






<p><b>11. Ghee Hiang (Small Scale Enterprise) (1865-2011)</b></p> <p><b>First Generation (Tacit knowledge)</b> -Knowledge in oriental pastries and sesame oil production</p> <p></p> <p><b>(Create the concept)</b> -Established oriental pastries and sesame oil flagship store in Penang, Chop Ghee Hiang.</p> <p></p> <p><b>Second Generation (Convert to codify)</b> -Converted into Tau Sar Piah biscuits and baby brand sesame oil production. Ventured into property development</p> <p></p> <p></p> <p><b>Third Generation (Innovation Capacity)</b> -Conducted R &amp; D in sesame oil related products and penetrated into UAE countries. Highlighted traditional food production since 1856</p> <p></p> <p><b>(Enterprise Development)</b> -Extended from Ghee Hiang flagship stores and became Penang heritage with food production and R &amp; D</p> <p></p>	<p><b>First Generation</b></p> <p><b>Skill:</b> Interpreted and adopted knowledge in traditional oriental pastries and sesame oil production.</p> <p><b>Top Down:</b> Top management under founder's leadership by inviting pastry chef from China to produce oriental pastries and sesame oil.</p> <p><b>PUI:</b> Openness ideas and traced back to the traditional recipe in pastries and sesame oil to serve Chinese community in Penang.</p> <p><b>Involvement:</b> The founder with his wife and pastry chefs from China to involve in the ethnic based flagship stores, Penang.</p> <p><b>Second Generation</b></p> <p><b>Skill:</b> Interprets tacit knowledge from traditional recipe to produce Tau Sar Piah biscuits and baby brand sesame oil.</p> <p><b>Top Down:</b> Top management sold to the 4 families, Yeap, Yeoh, Ch'ng and Ooi family who after the founder passed away. Ch'ng and Ooi family remained as main decision maker.</p> <p><b>PUI:</b> Openness to ideas and promoted sesame oil related products distributed into household, restaurant, hawker center and food operation.</p> <p><b>Involvement:</b> Ch'ng and Ooi family members bought the minority stake owned by Yeap and Yeoh family and solely involved in the production and marketing.</p> <p><b>Third Generation</b></p> <p><b>Skill:</b> Interpreted tacit knowledge from the traditional recipe to the Penang heritage foods.</p> <p><b>Top Down:</b> Top management under Ch'ng and Ooi ownership with large family members who owned a share but not performed. Elderly staffs trained new staffs in top down relation.</p> <p><b>PUI:</b> Openness ideas to split into Ghee Hiang Ghee Hiang manufacturing for foods and Ghee Hiang holding for property development.</p> <p><b>Involvement:</b> Ooi and Ch'ng in third and forth generation strongly involved in heritage building design and foods production to turn Ghee Hiang as Penang spot tourist destination for heritage enterprise with traditional foods.</p>	<p><b>First Generation</b></p> <p><b>Strategy:</b> The founder adopted traditional recipe in pastries and sesame oil production and invited pastry chef, Teng Ku from China. To create niche market special targeted large Chinese population in Penang.</p> <p><b>Second Generation</b></p> <p><b>Strategy:</b> Started to apply semi-auto technology but remained hand-made manual filling to produce uniqueness traditional food stuffs. Produced more products and ventured into the property development to accumulate more capital.</p> <p><b>Third Generation</b></p> <p><b>Strategy:</b> Heavily promoted R &amp; D to conduct sesame medicine research with university and penetrated into UAE countries for sesame oil related products. Always turned Ghee Hiang as Penang heritage food production as tourist main destination for museum sales boutique and gift shop.</p>	<p><b>First Generation</b></p> <p><b>Enterprise Development:</b> Established Chop Ghee Hiang located at the beach street in Penang. The strategic location at Penang with large Chinese population would help Ghee Hiang to obtain food ingredients from China shifted to Malaya.</p> <p><b>Second Generation</b></p> <p><b>Enterprise Development:</b> Established Ghee Hiang food manufacturing and Ghee Hiang holding company divided into sesame oil and Tau Sar Piah production. Ghee Hiang holding mostly involved in property development to develop Ghee Hiang Garden.</p> <p><b>Third Generation</b></p> <p><b>Enterprise Development:</b> Established Ghee Hiang food production to turn Ghee Hiang as most famous Penang heritage and export oriented enterprise. R &amp; D centre of excellence in sesame seed cooperated with local University (USM) to produce excellence sesame oil related products.</p>
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<p><b>12. Kum Thim (Medium Scale Enterprise) (1970-2011)</b></p> <p><b>First Generation (Tacit knowledge)</b> -Knowledge in natural fragmentation of sauces</p>  <p><b>(Create the concept)</b> -Established Kum Thim trademark of sauces targeted to local restaurant and food operation chain.</p> 	<p><b>First Generation</b></p> <p><b>Skill:</b> Interpreted and adopted soy sauces fragmentation while worked at restaurant.</p> <p><b>Top Down:</b> Top management under founder's leadership and sibling partnership from production, marketing and logistic distribution.</p> <p><b>PUI:</b> Openness idea to produce own brand of Kum Thim light soy sauce with personal recipe targeted to restaurant and food operation chain.</p> <p><b>Involvement:</b> The founder mostly involved in the production and trained his staffs from lower ground to the top management based on the previous experience while worked at restaurant.</p>	<p><b>First Generation</b></p> <p><b>Strategy:</b> The founder utilized the working experience while worked at the Restaurant to produce own brand of Kum Thim soy sauces products. Relying on networking with Restaurant and food operation chain to produce different sauces to be used in cooking dishes and cuisine.</p>	<p><b>First Generation</b></p> <p><b>Enterprise Development:</b> Established Kum Thim sauce factory to produce different type of sauces suitable to be consumed at local restaurant and food operation chain. Capital accumulated from siblings partnership helped to develop the enterprise from natural fragmentation to automated sauce production.</p>
<p><b>Second Generation (Convert to codify)</b> -Converted from the Kum Thim sauces to awards recognition Kum Thim cultural food production targeted hotel industry</p>  <p><b>(Innovation Capacity)</b> -Rebranding the packaging and production into cultural based frozen food, Dim Sum and Yee Sang specialties</p>  <p><b>(Enterprise Development)</b> -Extended from sauces production to the cultural traditional food production by establishing overseas manufacturing plant</p> 	<p><b>Second Generation</b></p> <p><b>Skill:</b> Interpreted tacit knowledge from sources production to create niche market in the cultural food production.</p> <p><b>Top Down:</b> Top management under founder's elder son who was graduated overseas to enhance professional management and top down relation always encourage knowledge sharing to come out innovative ideas</p> <p><b>PUI:</b> Openness ideas to create niche market by producing frozen food, Dim Sum and Yee Sang specialties in the cultural food market demand.</p> <p><b>Involvement:</b> The next generation mostly involved in R &amp; D and marketing from targeted local restaurant chain to hotel industry and involved in export trading.</p>	<p><b>Second Generation</b></p> <p><b>Strategy:</b> The next generation strongly achieved recognition in the food standard category from local requirement until UK food standard requirement. Penetrated into hotel industry as a good start to distribute sauces products, Yee Sang specialties and frozen foods to the Star Cruise and finally to the export trading.</p>	<p><b>Second Generation</b></p> <p><b>Enterprise Development:</b> Established cultural based food production to turn Kum Thim sauces production to Kum Thim group of companies with overseas manufacturing plant (Jiang Group in China) to produce cultural based traditional Halal food products targeted overseas Chinese market and UAE countries.</p>

<p><b>13. KLT Food Industries (Medium Scale Enterprise) (1972-2011)</b></p> <p><b>First Generation</b> (Tacit knowledge) -Knowledge in working experience while worked at hawker center or Dim Sum restaurant.</p>  <p>(Create the concept) -Established Hong Kong cuisine style Dim Sum and Kam Lun Tai restaurant chain</p> 	<p><b>First Generation</b></p> <p><b>Skill:</b> Interpreted and adopted personal working experience while worked at hawker centre and restaurant.</p> <p><b>Top Down:</b> Top management under founder's leadership, siblings and friend partnership. Hiring experienced captain to monitor operation in the restaurant chain and most potentially to place at the top position.</p> <p><b>PUI:</b> Openness ideas to bring Hong Kong Style cuisine into Malaysia food culture to design varieties set menu and Dim Sum menu.</p> <p><b>Involvement:</b> The founder mostly involved business partnership and ventured into seafood restaurant, noodles house, dining restaurant and Japanese Sushi restaurant.</p>	<p><b>First Generation</b></p> <p><b>Strategy:</b> The founder adopted the Hong Kong cuisine Style cuisine and ventured into Dim Sum restaurant and restaurant chain catered to the special event celebration based on the accumulated working experience before founder became an entrepreneur.</p>	<p><b>First Generation</b></p> <p><b>Enterprise Development:</b> Established Kum Lun Tai restaurant adopted the name from the name used by Tun H.S.Lee, 1<sup>st</sup> finance minister in Malaysia when he was trading in China. Provided morning tea time (Dim Sum) and dining set menu (Marriages or special occasions) focused on Hong Kong cuisine.</p>
<p><b>Second Generation</b> (Convert to codify) -Converted from the restaurant business to the food production compliance with international standard combined with different food culture.</p>  <p>(Innovation Capacity) -Ventured into KLT food production such as mooncakes, Malaysia delights of food stuffs and food fusion in instant foods 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><b>Second Generation</b></p> <p><b>Skill:</b> Interpreted tacit knowledge from restaurant operation chain into KLT food production in mooncakes and food stuffs.</p> <p><b>Top Down:</b> Top management under founder's heirs leadership who highly educated. The daughter normally assisted the restaurant chain and placed the experience staffs at the top position while sons mostly focused on performance oriented staffs at the top.</p> <p><b>PUI:</b> Openness ideas and promote a series of KLT trademark of mooncakes series, dessert and confectioneries in convenience packaging.</p> <p><b>Involvement:</b> The next generation mostly involved in the food technology and R &amp; D to retain performance oriented staffs. However, experience staffs mostly operated in the daily business to train the younger staffs.</p>	<p><b>Second Generation</b></p> <p><b>Strategy:</b> The next generation greatly promoted Fabulous food 1 Malaysia to produce more Malaysian food stuffs such as mooncakes and Halal snack foods by inviting more chefs to achieve recognition in the local market and international marketplace to provide food fusion between different countries.</p>	<p><b>Second Generation</b></p> <p><b>Enterprise Development:</b> Established KLT food industries comprised of food production and restaurant with catering services to achieve recognition within Malaysia, Overseas Chinese market and international marketplace who loved at Malaysia Chinese style food production.</p>

<p><b>14. Red Horse (Small Scale Enterprise) (1964-2011)</b></p> <p><b>First Generation (Tacit knowledge)</b> -Knowledge in technology learning in concentrate juice cordials production</p>  <p><b>(Create the concept)</b> -Established Malaysia tropical fruit juice manufacturer with highlighted Red Horse brand</p>  	<p><b>First Generation</b></p> <p><b>Skill:</b> Interpreted and adopted training transfer in concentrate juice cordials and considered new industry at that time.</p> <p><b>Top Down:</b> Top management under founder's leadership and sibling partnership. From lower ground until top position strongly depends on the founder's decision and reluctant to invite outsiders management.</p> <p><b>PUI:</b> Openness to ideas and produced home based cordials and syrups based on Malaysia tropical fruit flavour.</p> <p><b>Involvement:</b> The founder involved as mentor to train his children as helper in the production before passed down the leadership role to the next generation.</p>	<p><b>First Generation</b></p> <p><b>Strategy:</b> The founder as a first mover adopted concentrate juice cordials production during 1960-1970s considered new industry that time. Considered a fruit juice cordials manufacturer able to distribute their products to the government bodies and created niche market during that time.</p>	<p><b>First Generation</b></p> <p><b>Enterprise Development:</b> Established and moved from home based cordials production to the shop lots and later to the Red Horse fruit juice manufacturer by highlighting Red Horse Malaysia tropical fruit cordials. Started to purchase more premises to expand their production capabilities.</p>
<p><b>Second Generation (Convert to codify)</b> -Converted from local market production to the private labelling export trading targeted Halal food demand</p>  <p><b>(Innovation Capacity)</b> -Rebranding packaging and promoted OEM private labelling with different trademark</p>  <p><b>(Enterprise Development)</b> -Extended from fruit juice production to the OEM private labelling export trading</p> 	<p><b>Second Generation</b></p> <p><b>Skill:</b> Interpreted tacit knowledge from low concentrate juice cordials production to implement mechatronic automation engineering to enhance private labelling.</p> <p><b>Top Down:</b> Top management under founder's Leadership who divided into internal and external operation. However, founder remained as biggest shareholder.</p> <p><b>PUI:</b> Openness to ideas and promoted OEM production to create Nikmat, Borr, Rabbit and Happy baby brand to serve for export trading.</p> <p><b>Involvement:</b> The next generation started to implement simple organization structure and involved in private labelling and export trading.</p>	<p><b>Second Generation</b></p> <p><b>Strategy:</b> The next generation started to focus on OEM private labelling and focused on global Halal food opportunities. They distributed their products to the UAE countries mostly hotel industry and supermarket to build on good reputation in the particular UAE countries.</p>	<p><b>Second Generation</b></p> <p><b>Enterprise Development:</b> Established Red Horse fruit juice manufacturer and Shoon Kee juice targeted local market and export trading with private labelling. Established Hon Nyit Sons and Realty to manage the fund from the accumulated capital from the rental or return came from the purchased premises.</p>

<p><b>15. Hei Hwang (Small Scale Enterprise) (1975-2011)</b></p> <p><b>First Generation (Tacit knowledge)</b> -Knowledge in herbal drinks acquired from the remedies.</p>  <p><b>(Create the concept)</b> -Established Hei Hwang instant Ipoh coffee production acquired knowledge from the herbal drinks formulation.</p> 	<p><b>First Generation</b></p> <p><b>Skill:</b> Interpreted and adopted the herbal remedies to produce herbal drinks.</p> <p><b>Top Down:</b> Top management under founder's leadership with sibling partnership. Almost repetitive job with lack of interest worsen the top down relationship.</p> <p><b>PUI:</b> Openness to ideas and transferred herbal drinks formulation into instant drinks.</p> <p><b>Involvement:</b> The founder mostly involved in the daily operation and became herbal specialist. Later slowly involved into instant Ipoh coffee production after closed down Dayo food industries.</p>	<p><b>First Generation</b></p> <p><b>Strategy:</b> The founder find a way to survive in the family business transferred from less popular herbal drinks formulation into Malaysia famous instant Ipoh coffee production and started to target export trading.</p>	<p><b>First Generation</b></p> <p><b>Enterprise Development:</b> Established Hei Hwang food industries with the core production in instant based Ipoh Coffee mix series to replace with the previous Dayo food industries with focused on herbal drinks.</p>
<p><b>Second Generation (Convert to codify)</b> -Converted from the instant coffee production to focus on value added health drinks.</p>  <p><b>(Innovation Capacity)</b> -Rebranding packaging and create niche market in organic and vegetarian food supplement. Export instant Ipoh coffee to China.</p>  <p><b>(Enterprise Development)</b> -Extended from instant coffee production to instant health drinks and assigned dealership to Singapore targeted overseas Chinese market.</p> 	<p><b>Second Generation</b></p> <p><b>Skill:</b> Interpreted tacit knowledge from the instant coffee production to the health drinks.</p> <p><b>Top Down:</b> Top management under founder's sons who separated into Malaysia production (instant drinks packaging) lead by elder son and China operation (contract farming and import trading) lead by founder's second son.</p> <p><b>PUI:</b> Openness to ideas and promoted health supplements drinks with organic and vegetarian.</p> <p><b>Involvement:</b> The next generation started to utilize the land bough in China to promote contract farming and strongly involved in the R &amp; D production to produce health drinks and distributed to the worldwide.</p>	<p><b>Second Generation</b></p> <p><b>Strategy:</b> Utilized the land bought in China to create win-win situation where conducted contract farming in China and at the same time export Hei Hwang instant coffee series to the large demand of China market. Organic beans picked from the China will sent it back to Malaysia for further food processing.</p>	<p><b>Second Generation</b></p> <p><b>Enterprise Development:</b> Established Hei Hwang health food series and assigned dealership to Singapore mostly targeted on Overseas Chinese market in Indonesia, Taiwan and Philippines. Ventured into vegetarian and organic food retail chain in Malaysia.</p>

<p><b>16. Eng Hup Seng (Small Scale Enterprise) (1987-2011)</b></p> <p><b>First Generation</b> (Tacit knowledge) -Knowledge in traditional sesame oil production based on authentic Asian cuisine style.</p>  <p>(Create the concept) -Established Eng Hup Seng sesame oil and sauces factory to create Mother brand as authentic Southeast Asian sauces production.</p> 	<p><b>First Generation</b></p> <p><b>Skill:</b> Interpreted and adopted the traditional sesame oil production followed the hallmark of authentic Asian cuisine.</p> <p><b>Top Down:</b> Top management under founder's leadership and sibling partnership. Almost all the family members with strong relationship with founder placed at the top position.</p> <p><b>PUI:</b> Openness to ideas and focused on sauces production by developing Mother brand to suit the authentic Malaysia cuisine.</p> <p><b>Involvement:</b> The founder mostly involved in the production with his siblings and reluctant to invite outsiders to involve mostly in the production and marketing.</p>	<p><b>First Generation</b></p> <p><b>Strategy:</b> The founder firstly produced sesame oil and later ventured into other sauces production with the Mother brand labelling to keep pace with the growing customer preference in Southeast Asian authentic cuisine.</p>	<p><b>First Generation</b></p> <p><b>Enterprise Development:</b> Established Eng Hup Seng sesame oil production enterprise by focusing on authentic Southeast Asian food cuisine style and developed into large premises to produce other sauces catered local restaurant and mini mart retail chain.</p>
<p><b>Second Generation</b> (Convert to codify) -Converted from the sauces production and focused on contract manufacturing and private labelling</p>  <p>(Innovation Capacity) -Rebranding packaging and distributed to supermarket retail chain or Asia mart. Enhanced contract manufacturing with large food production</p>  <p>(Enterprise Development) -Extended from sauces production into contract manufacturing and private labelling in Southeast Asia authentic sauces production</p> 	<p><b>Second Generation</b></p> <p><b>Skill:</b> Interpreted tacit knowledge from the authentic sauces production to private labelling and sell in bulk to the larger food production.</p> <p><b>Top Down:</b> Top management under founder's sons each of them was given enough autonomy and usually placed at the top position mostly in the sales and marketing. Quite few of them from production field placed at the top position.</p> <p><b>PUI:</b> Openness ideas and promoted private label and sell in bulk to the supermarket, Lam Soon, Yee Lee &amp; Nestlé.</p> <p><b>Involvement:</b> The next generation started to involve in R &amp; D to conduct a research related to Southeast Asian authentic sauces and turned to be an export trading on private labelling food enterprise.</p>	<p><b>Second Generation</b></p> <p><b>Strategy:</b> Achieved recognition in the global Halal opportunities and international food requirement to create niche market in the Southeast Asian authentic sauces production. Always sell in bulk to the larger food operation to capture bigger market and ventured into China town international marketplace.</p>	<p><b>Second Generation</b></p> <p><b>Enterprise Development:</b> Established Eng Hup Seng sauces production to focus on private labelling and contract manufacturing with their Southeast Asian authentic sauces production. Stringent quality control food enterprise certified with independent laboratories.</p>

<p><b>17. Regent Food (Small Scale Enterprise) (1987-2011)</b></p> <p><b>First Generation (Tacit knowledge)</b> -Knowledge in home based fried nuts targeted hawkker center.</p> <p style="text-align: center;">↓</p>  <p style="text-align: center;">↓</p> <p><b>(Create the concept)</b> -Established Regent food production and apply oven based roasted technology based on food safety requirement</p>  <p><b>Second Generation (Convert to codify)</b> -Converted from the nuts production and focused on private labelling and contract manufacturing</p> <p style="text-align: center;">↓</p>  <p><b>(Innovation Capacity)</b> -Rebranding packaging and introduced new flavors of nuts snacks distributed to the worldwide</p> <p style="text-align: center;">↓</p>  <p><b>(Enterprise Development)</b> -Extended from nuts production to the private labelling and contract manufacturing of Southeast Asia nut snacks.</p> <p style="text-align: center;">↓</p> 	<p><b>First Generation</b></p> <p><b>Skill:</b> Interpreted and adopted home based nuts fried distributed to the local food operation.</p> <p><b>Top Down:</b> Top management under founder's leadership with his wife. Those with strong business networking placed at the top position while founder's wife mostly involved in the administration work.</p> <p><b>PUI:</b> Openness to ideas and upgraded from traditional wok frying to temperature control oven roasted technology in the nuts production.</p> <p><b>Involvement:</b> The found invited his friends and eldest son to involve in the production to protect tacit knowledge. Strongly involved in the business networking rather than R &amp; D in the production.</p> <p><b>Second Generation</b></p> <p><b>Skill:</b> Interpreted tacit knowledge from the nuts and peas production by adding flavors and herbs to produce Southeast Asian nuts snacks.</p> <p><b>Top Down:</b> Top management under founder's heirs leadership. Sons normally placed at the top position dealt with export trading and external operation and daughters placed at the administration or internal operation.</p> <p><b>PUI:</b> Openness to ideas and promoted private labelling in export trading distributed to Southeast Asia, Asia and European countries.</p> <p><b>Involvement:</b> The next generation strongly involved in export trading and contract manufacturing to explore huge market in the international marketplace who loved Southeast Asia nut snacks.</p>	<p><b>First Generation</b></p> <p><b>Strategy:</b> The founder rely on strong business networking with the food stuffs association and hawkker centre to distribute their nuts and peas products strictly followed latest food safely requirement .</p> <p><b>Second Generation</b></p> <p><b>Strategy:</b> Implemented fumigation method and hygienic control in the production to penetrate export reading refer to the export countries requirement. Achieved recognition as Southeast Asia nut snacks production.</p>	<p><b>First Generation</b></p> <p><b>Enterprise Development:</b> Established Regent food products away from home based production and started to choose good quality of peas and nuts from different countries. Not only produced fresh cooked peas and nuts but also the main distributor of uncooked peanuts targeted to the food operation chain in Malaysia.</p> <p><b>Second Generation</b></p> <p><b>Enterprise Development:</b> Established Regent food enterprise with private labelling and contract manufacturing to become one of the export trader dealt with Southeast Asia nut snacks.</p>
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In the case of Eu Yan Sang, Robert Eu, Clifford Eu and Richard Eu understood the usefulness of innovation to enhance ideas as well as the need to collaborate with foreign enterprises to learn technology and invest in R&D to produce newly herb capsules and health supplements distributed by retail outlets located at 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 this country, Khong Guan partnered with Cerebos, spokesperson of Brand's Chicken Essence in 1987. Khong Guan was awarded Cerebos' most outstanding performance distributor award four times prior to the recognition. Both Eu Yan Sang and Khong Guan are third generation firms and they paid 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 the expectation among top down relations aligned with organization outcome and objective. Additionally, a firm's innovation capacity is enhanced when family businesses translate their strategy into clear targets for each business unit. Again, family involvement influences the innovation capacity because the family characteristic has an effect on the top-down relationship. During the generational change, the founder had given a high degree of managerial autonomy to the next generation. During the third generation, the top management was monitored by a cousin consortium, formed as professional teams to manage overseas businesses and higher investments in the plant and machinery.

In certain family SMEs, a concerted attempt was made to transform a declining "old" enterprise to "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 ingredients”<sup>50</sup>.*

In the case of Eu Yan Sang, a joint-venture 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 target a new formula for specific ailments. This led to the development of Eu Yan Sang from a traditional medical hall to an Asian TCM practice with herbal stores retail chain, 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 tie-up 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 the 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

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<sup>50</sup>Interview on 26 October 2012 went through telephone conversation between Kepong and Ipoh. Second interview on 11 December 2012 was conducted at Hei Hwang factory compound, Ipoh.

the necessary strategy implementation, after a generational change, to sustain growth. This table shows that not all the family SMEs in the food production learnt from their mistakes, while others pushed their business forward. In addition, their recognition of the important contribution of MNCs to their growth is undeniable. Some of them grew from more focus on technological capability development, with innovativeness as the sources of 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 to improve innovative global supply chain. Some of them remained small and rely on single products manufactured without diversifying into any business trading other than their prime focus in food production.

As indicated in Table 5.9, some firms would remain small and target 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 MNC. Certain family SMEs depended on their strength and capabilities to deal with foreign MNCs such as UK Tesco stores, as a food supplier, evidenced in the case of King's Confectionery and Vit Makanan. King's Confectionery established outlets in every branch of Tesco stores in Malaysia. Through collaboration with MNCs, this 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 Asian and halal market, 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

Family Enterprises/ Business Nature	Year of establishment/ Generation/ Succession	Skill Changes	PUJ Changes	Strategy changes after Generational Change	Enterprise development (First Generation)	Enterprise development (Next Generation)
1. Eu Yan Sang (EYS) (Large Enterprise)	1842-2011 (3 <sup>rd</sup> Generation) (Father-Cousin)	Interpreted from physician remedies to scientific herb medicine	Ideas from medical hall to TCM retail shop and wellness clinic facilities	Evolved from herbal concoctions to formula for specific ailments	Extended from medical hall to EYS retail shop and TCM clinics	Extended from EYS group to partnership with British Natural food
2. Khong Guan (Biscuits) (Large Enterprise)	1937-2011 (3 <sup>rd</sup> Generation) (Father-Nephew)	Interpreted from traditional biscuits to assorted confectionery	Ideas from personal biscuits production to access Arnott's food recipe	Evolved from targeted Overseas Chinese to the non-Chinese Market	Extended from biscuits factory to Khong Guan food industries	Extended from Khong Guan biscuits to Asian finest biscuits production
3. London Biscuit (Biscuits) (Large Enterprise)	1994-2011 (2 <sup>nd</sup> Generation) (Father-Son)	Interpreted from corn snack 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 foods to pie cakes and candies production	Extended from pie cake to Southeast Asia largest cake roll production
4. Tatawa (Biscuits) (Medium Enterprise)	1981-2011 (2 <sup>nd</sup> Generation) (Father-Nephew)	Interpreted from hand-made wedding cake to OEM biscuits	Ideas from traditional pastries to export biscuits production	Evolved from pastries production to the Tianje mooncakes production	Extended from family bakeries to Tatawa biscuits enterprise	Extended From Tatawa biscuits to recognized export based production
5. King's Confections (Cakes & Breads) (Medium Enterprise)	1977-2011 (2 <sup>nd</sup> Generation) (Father-Daughter-Son)	Interpreted from hawk food to pastries and bakeries production	Ideas from Hamanese food culture to King's designed pastries and bakeries	Evolved from pastries production to transfer to Bangladesh food market	Extended from coffee corner to King's confectionery retail chain	Extended from King's to the Pak Hailam café, cooperated with Tesco
6. Laksamana Usaha (Noodles) (Medium Enterprise)	1975-2011 (2 <sup>nd</sup> Generation) (Father-Son-Daughter)	Interpreted from hand-made to clean technology noodles production	Ideas from ethnic enterprise to ultra-modern noodles production	Evolved from ethnic based noodles to Malaysia Halal noodles production	Extended from home-based cottage production to supply chain enterprise	Extended from hawkler center to Chinese Muslim restaurant
7. TPC Plus (Egg) (Large Enterprise)	1976-2011 (2 <sup>nd</sup> Generation) (Brother-Outsider)	Interpreted from poultry egg farming to fruit biotechnology	Ideas from poultry egg farming to enzyme vinegar biotechnology	Evolved from poultry framing to enzyme vinegar	Extended from TPC poultry farm to integrated agricultural	Extended from TPC Plus to venture into biotechnology
8. V'it Makanan (Noodles) (Medium Enterprise)	1975-2011 (2 <sup>nd</sup> Generation) (Father-Son)	Interpreted from food trading to instant noodles production	Ideas from local supply chains to the UK Tesco halal food supply chain	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 <sup>rd</sup> Generation) (Father-Son-Nephew)	Interpreted from herbal to essence supplement formulation	Ideas from herbal trading to essence gifts shop	Evolved from medical hall to GMP essence tourist spot	Extended from Chinese medical hall to essence production	Extended from essence factory to export based health foods
10. Baker Cottage (Cakes & Breads) (Large Enterprise)	1994-2011 (3 <sup>rd</sup> 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 chain	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 bakeries café retail chain
11. Ghee Hiang (Sesame oil & Biscuits) (Small Enterprise)	1865-2011 (3 <sup>rd</sup> Generation) (Father-Friends-Family)	Interpreted from traditional recipe to Penang heritage food production	Ideas from traditional food stuffs to Penang heritage gifts shop and R&D in sesame oil production	Evolved from pastries flagship store to Penang heritage gifts shop and property	Extended from oriental pastries house to Ghee Hiang food enterprise and investment	Extended from Ghee Hiang enterprise to 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 <sup>nd</sup> Generation) (Father-Son)	Interpreted from sauces production to export based frozen food production	Ideas from sauces production to cultural-based frozen food production	Evolved from sauce production to cultural-based food production	Extended from home-based sauces production to cultural food enterprise	Extended from Kum Thim food to food expert partnership business
13. KLT Food Industries (Restaurant) (Medium Enterprise)	1972-2011 (2 <sup>nd</sup> Generation) (Father-Daughter-Son)	Interpreted from Hong Kong cuisine to Southeast Asia food production	Ideas adopted from Hong Kong cuisine into Malaysia food industry	Evolved from restaurant catering to KLT food processing	Extended from hawket center to Hong Kong style restaurant	Extended from restaurant to export based 1 Malaysia KLT food
14. Red Horse (Cordials) (Small Enterprise)	1964-2011 (2 <sup>nd</sup> Generation) (Father-Son)	Interpreted from concentrate juice cordials to private labelling automation	Ideas from Malaysia tropical juice cordial to export based private labelling halal juice production	Evolved from first mover to distribute juice cordials to the global halal food market	Extended from home based juice production to private labelling drink enterprise	Extended from Red Horse to Shoon Kee juice enterprise and realty
15. Hei Hwang (Coffee) (Small Enterprise)	1975-2011 (2 <sup>nd</sup> Generation) (Father-Son)	Interpreted from herbal drinks to instant white coffee production	Ideas from herbal drinks to instant coffee series and organic health drinks	Evolved from herbal drinks to instant coffee and health drinks	Extended from herbal drink 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 <sup>nd</sup> 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 operation such as Nestle and Lam Soon	Evolved from local brand to Southeast Asia authentic sauces brand	Extended from Eng Hup from home-based sesame oil production to hallmark of Southeast Asia sauces	Extended from Eng Hup Seng sauces to export based private labelling enterprise
17. Regent Food (Peanuts) (Small Enterprise)	1981-2011 (2 <sup>nd</sup> Generation) (Father-Son)	Interpreted from home based nuts production to export-based nuts snacks packaging	Ideas from fried nuts to health conscious temperature control roasted nut snacks	Evolved from targeted hawket food to export-based private labelling	Extended from home based nuts production to processed nut snacks enterprise	Extended from regional food enterprise to private labelling enterprise

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

This is illustrated in the case of KLT food, 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 stuffs including the promotion of what was termed Malaysia fabulous food. Lum Kah Sing had invested around RM1.5 million in 2003 in plant and machinery to produce different kind of 1 Malaysia 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, created through new food technology. With the help of food technologist who worked with marketing teams, Tatawa successfully transformed their family business, 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, through 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 has 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 shop<sup>51</sup>."*

In the case of Eng Hup Seng, although they have a prestige Mother brand sesame oil, developed by the founder, the next generation could not escape from setting up an R&D labouratory testing to produce quality edible oil. 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 the knowledge from the founder who gave full autonomy to his children to produce different types of Southeast Asian authentic sauces which were distributed to the 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 the 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, to incorporate external talents, as well as the need to include the family business community to a new level of development. One major concern of the founder generation was their desire to guard trade secrets, most evident among food-based industries in the third and fourth

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<sup>51</sup> Interview on 28 April 2012 and visited Tatawa biscuits at Johor.

generation which owned traditional recipes such as Ghee Hiang, Hei Hwang, Besfomec, Eng Hup Seng, Eu Yan Sang. They started out as small family business 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. To need to meld tacit knowledge and tertiary education is one issue that emerges from this table, indicating a healthy interaction process through which the skill 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 the skills in the manufacturing facilities to daily manufacture 30-50 tons of yellow noodles, 50 tons of Kuey Tiow and 300-350 cartons of Yee Mee. 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
<b>Large Scale Family Enterprise Food</b> (London, Khong Guan, Eu Yan Sang, Baker's Cottage, TPC Plus)	<b>From First to the Next Generation</b>  <b>Skill:</b> Interpreted knowledge adopted from foreign technology such as British natural food production, Australia Arnott's biscuit formulation and Taiwanese enzyme vinegar.  <b>Top Down:</b> Top management given autonomy to engage with professional partnerships, teams work cooperation, flattened organization and mentor mentee programs.  <b>PUI:</b> Openness to ideas to create Asian super brands with food fusion such as London Southeast Asia roll cakes, Khong Guan wafer biscuit and EYS scientific health products.  <b>Involvement:</b> Mostly involved from local food production to the global supply chain of Asian food production; cooperated with other Asian brands.	<b>From First to the Next Generation</b>  <b>Strategy:</b> Evolved from locally-recognized enterprise to Asian firm with unique food product; adopted scientific approach with knowledge sharing to produce natural scientific health supplements, assorted wafer biscuits and Southeast Asia tropical fruit drinks.	<b>From First to the Next Generation</b>  <b>Enterprise Development:</b> Established Asian or Southeast Asia brand of food with overseas manufacturing plant; cooperated with foreign enterprise to produce Asian food stuffs catering to non-Asian markets.
<b>Medium Scale Family Enterprise Food</b> (Tatawa, Ghee Hiang, King's Confectionery, KLT Food, Laksamana Usaha, Vit Makanan, Besfomec)	<b>From First to the Next Generation</b>  <b>Skill:</b> Interpreted knowledge from the current trend to achieve recognition by upgrading value processing chain such as clean technology in noodles production or good manufacturing practice in essence products.  <b>Top Down:</b> Top management given enough autonomy to develop R&D and engage in new production and marketing techniques.  <b>PUI:</b> Openness to innovative ideas to upgrade value to become superior products such as KLT mooncakes, Fomec health essence and King's pastries.  <b>Involvement:</b> Mostly involved in production and marketing to do something different than the previous generation such as IT advancement, franchising business, retailing business or supply chain in global halal food.	<b>From First to the Next Generation</b>  <b>Strategy:</b> Evolved from family-owned enterprise to adopt other food cultures from various countries and make it recognized to get accepted in Malaysia food industry such as Japanese Tianje mooncakes, Hong Kong style KLT foods, Taiwanese Vit's instant noodles and China Fujian oriental pastries.	<b>From First to the Next Generation</b>  <b>Enterprise Development:</b> Established locally-accepted food production with different distribution channels upgraded with standard requirements to produce Malaysian-based signature products for export.
<b>Small Scale Family Enterprise Food</b> (Red Horse, Hei Hwang, Regent, Eng Hup Seng, Kum Thim)	<b>From First to the Next Generation</b>  <b>Skill:</b> Interpreted tacit knowledge solely based on founder's experience such as Ipoh instant coffee, concentrate juice and nuts snacks.  <b>Top Down:</b> Top management under founder's leadership with pyramid organization structure. However, quite flexible in top down relations after the next generation took over.  <b>PUI:</b> Openness to ideas; produced own recipe in food production such as Hei Hwang Ipoh Coffee, Kum Thim Yee Sang, Regent snacks and Ghee Hiang Tau Sar Piah.  <b>Involvement:</b> Mostly involved in family operation, favoring nepotism to avoid agency cost and mostly relied on Overseas Chinese market. Relying on supply chain involvement and assigned family members to involve in contract manufacturing with overseas markets, specifically targetting overseas Chinese.	<b>From First to the Next Generation</b>  <b>Strategy:</b> Evolved from home-based cottage business to food specialties in particular areas to stay unique in the market such as Penang heritage sesame oil, Malaysia Ipoh coffee and Malaysia tropical juice cordials.	<b>From First to the Next Generation</b>  <b>Enterprise Development:</b> Established unique food products with less effort to increase production capabilities but promoted private labelling and selling-in-bulk catering to nearby Southeast Asia, Asian and overseas Chinese markets.

Using their own strengths, different scale family SMEs used different methods to anticipate the changes and respond swiftly. For instance, small scale family SMEs were keen to develop 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 to develop new markets from which emerged new categories. The most important category, after door-to-door selling, was ties with supermarket retail chains in Malaysia.

As shown in Tables 5.9 and 5.10, most of the family SMEs had clear ideas how to promote innovation. They did not embrace Western management practices blindly. The second generation, as indicated in Table 5.10, was trying hard to do something different and to avoid the disappointment of the founder. They therefore enabled their staff, family or non-family, to involve themselves in knowledge dissemination, ensure clarity of direction, and dispense 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 firms.<sup>52</sup> This was because these small firms in food production encountered difficulties to promote information and knowledge sharing through a top down management approach, factors that turned away the new generation 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 scale well-established food corporations.

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

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<sup>52</sup> 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).

innovation to produce more marketable food products. As they evolved from small to large-scale enterprises, the family SMEs frequently upgraded technology, keeping abreast with the technological advancement to create trusted brands in the domestic and international marketplace. 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 transforming the founders' tacit knowledge productively 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 took control of these SMEs. Their ability to control the production of tacit knowledge in the family enterprise and the use of it in the 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 competitive advantage, a process particularly seen among large and medium-scale enterprises.

These 18 case studies in food production indicate that the second generation was most responsible for instituting the 3Ms, by 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 family enterprises were 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 showed great entrepreneurial capacity while frugality and hard work led to the accumulation of wealth. The second generation was most responsible for organizational and brand development, while the third generation would make differentiation and uniqueness in food production their forte to propel growth. For example, the second generation Tatawa Biscuits and third generation Ghee Hiang Food implemented major organizational changes to foster the 3Ms that facilitated the creation of brand products and a niche market for themselves. The second and third generation in Ghee Hiang Food and Tatawa Biscuits successfully codified tacit knowledge through relevant strategic planning to improve efficiency as well as the quality and range of their products. This was primarily by employing R&D, though this was selectively and carefully done to protect their recipe secret, by developing research ties with tertiary institutions. Such ties had 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 under assessment here have long been active in food production, as well as the plastics industry. Nearly all these family enterprises in food and plastic production started off as small enterprises employing a traditional management style, though following a generational shift they emerged as medium-scale 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 specifically answering the questions posed in the Introduction, though attention will also be paid to the 11 plastic family SMEs that have been reviewed. This chapter also provides insights into the different forms of development of family enterprises in food production, draws attention to the overall implications of this study, reviews the limitations of this research and offers suggestions for future research. It concludes with a discussion on the importance of constantly nurturing innovation capacity 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 the Production**

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

A key point emerging from a comparison of plastic and food production firms, as indicated in Table 6.1, is that nearly one-third of the 18 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 investments 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 plastic SMEs that actively acquired technology to innovate tacit knowledge from different countries, including Britain, the United States, Japan, Taiwan and China, to keep pace with technology 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 was

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

Table 6.1: Organization Development in Plastic and Food Production

Profile & Organization Changes	Plastics Production	Food Production
<b>1. Year of establishment</b>	<b>Oldest: 1929</b> <b>Latest: 1988</b> 2 <sup>nd</sup> Generation : 9 cases 3 <sup>rd</sup> 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).	<b>Oldest: 1842</b> <b>Latest: 1994</b> 2 <sup>nd</sup> Generation : 6 cases 3 <sup>rd</sup> 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).
<b>2. Annual Sales (RM)</b>	<b>Highest: 255 million</b> <b>Lowest: 1.5 million</b> 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).	<b>Highest: 500 million</b> <b>Lowest: 4 million</b> 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).
<b>3. Number of Employees</b>	<b>Highest: 2000 people</b> <b>Lowest: 50 people</b> Most employees were involved in plastic dipping and product assembly processes to cater to mass production in semiconductors and electronics.	<b>Highest: 600 people</b> <b>Lowest: 25 people</b> Most employees were involved in food production, packaging and as outlet staff to expand distribution channels including export capacity and business franchising.
<b>4. Number of family members</b>	<b>Highest: 90 people</b> <b>Lowest: 8 people</b> Most family members shifted from family enterprises to knowledge intensive enterprises, mostly in production, administration and R&D.	<b>Highest: 130 people</b> <b>Lowest: 10 people</b> Most family members shifted from home-based cottage businesses to export trading enterprises. The emphasis was on improving production, R&D and marketing.
<b>5. Number of Manager</b>	<b>Highest: 50 managers</b> <b>Lowest: 5 managers</b> 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.	<b>Highest: 50 managers</b> <b>Lowest: 5 managers</b> 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
<b>6. Number of Branches</b>	<b>Highest: 7 subsidiaries</b> <b>Lowest: No subsidiaries</b> 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.	<b>Highest: 200 outlets/branches</b> <b>Lowest: No outlets/branches</b> 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.
<b>7.Number of Machines</b>	<b>Highest: 200 machines</b> <b>Lowest: 10 machines</b> Most medium and large scale enterprises in plastic production invested in machines to enhance production capabilities based on different projects awarded by MNCs.	<b>Highest: 230 machines</b> <b>Lowest: 8 machines</b> Most medium and large scale enterprises in food production invested in machines, specifically those involved in large food retail chains.
<b>8.Number of New Products</b>	<b>Highest: 150 products</b> <b>Lowest: 20 products</b> 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.	<b>Highest: 150 products</b> <b>Lowest: 5 machines</b> 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 with plastics production enterprises. This was 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 plant to other countries such as Singapore, a factor leading to more capital investment which increased sales growth annually. The growth of annual sales is partly due to the commitment of the Malaysian government to the development of SMEs, including in food production. This is seen also in the creation of the Halal Industrial Development Corporation to get SMEs to collabourate with government- and foreign-owned large retail chains to create global supply chains. In general, Malaysia's Muslim will put food products that have *Halal* and *Shariah-compliant* clarification issued by the Department of Islamic Development (JAKIM) as their first buying priority. Importantly too, market trends over the past few years indicate an increase in the demand for Halal food products globally.

In both food and plastic production, the government's efforts to promote manufacturing were 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 of family SMEs involved in plastics and food production. These plans provided an integrated approach to the development of industrial areas and opportunities in plastic and food production to cater to the booming semiconductor and biotechnology industries as more MNCs opened manufacturing plants in Malaysia. However, those family SMEs in manufacturing sector were badly affected by the Asian financial crisis (1998-2000) and the global financial crisis<sup>53</sup> (2007-2009), primarily those that had established strong business networks with MNCs such as Japanese and the 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 MIDA<sup>54</sup> to increase export trading and develop the profile of its products in the international marketplace.

Table 6.1 further indicates that the protection and retention of tacit knowledge is much higher in the food production sector compared with plastic production. In food production, most of them tend to be reluctant to promote R&D openly, involving non-family members, because families in this industry are extremely secretive about their

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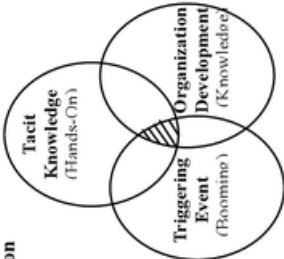

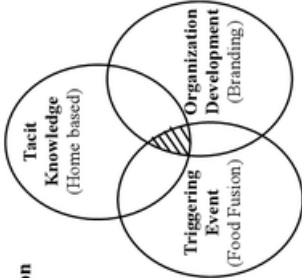

<sup>53</sup> Following the 2009-2010 global financial crisis, for example, large enterprises in this study such as the Chang Huat group replaced its plastic injection business with oil and gas bunkering services. London Biscuits was forced to alter its brand strategy by promoting Southeast Asian foods in the global arena.

<sup>54</sup> 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.

tacit knowledge. Technology upgrading through R&D involves collaboration with employees who 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, the in-depth cases studies indicate that large scale food SMEs tend to collaborate with foreign partners in the new product development particularly to cater to strong market demand for ready-to-eat health supplements and confectioneries.

In terms of the machine upgrading and product development, family SMEs in food production encountered numerous challenges when they were 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 the tacit knowledge. This was less of a problem for SMEs in plastic production as rapid changes were to be found primarily 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 could cope 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
<b>Brief History</b>	<b>From founder to the next generation (Brief History)</b> Founder had tacit knowledge but the next generation shifted direction to plastic technology.  <b>(Tacit Knowledge)</b> Hands-on workshop, trading house or services accumulated during founder generation.  <b>(Triggering Event)</b> New innovation that created new market from booming industry and involved in global supply chain.  <b>(Organization Development)</b> Evolved from low end labour intensive to high end knowledge intensive plastics production.	<b>From founder to the next generation (Brief History)</b> Founder had tacit knowledge which later was developed by next generation, more enlightened about improving traditional food preparation methods.  <b>(Tacit Knowledge)</b> Home-based cottage business, hawker food and ethnic enterprise; knowledge accumulated during founder generation.  <b>(Triggering Event)</b> Food fusion innovation that combines elements of different food traditions from different countries to create new food trends.  <b>(Organization Development)</b> Evolved from traditional ethnic enterprise to branded food retailer and franchiser.	<b>Plastics Production</b>   Codified knowledge into knowledge intensive services in plastics production after partnering with MNCs.  <b>Food Production</b>   Codified knowledge into food fusion with good branding of traditional heritage in food production after being involved in export trading and Halal trade.

Profile and Organization	Plastics Production	Food Production	Comparison between Food and Plastic production
Family Tree	<p><b>From founder to next generation</b></p> <p><b>Founder generation</b> Usually consists of brothers and/or husband-wife partnership. Tends to accumulate capital from profits.</p> <p><b>Next generation</b> Started to incorporate outsiders as professional managers. However, eldest son remained as main shareholder after graduating with a degree and was involved in production and R&amp;D. Lower retention rate of senior staff except those with technical knowledge.</p>	<p><b>From founder to the next generation</b></p> <p><b>Founder generation</b> Usually consists of migrants and/or husband-wife partnership. Tends to transfer traditional knowledge only to family members.</p> <p><b>Next generation</b> Started to incorporate outsiders to collaborate with foreign partners. However, daughter can be main shareholder but decisions were made by sons. High retention rate of senior staff who worked in firm over a long period.</p>	<p><b>Plastics Production</b></p> <pre> graph TD     A([Startup with unrelated to plastic production]) --&gt; B[Founder partnered with family members or friends]     B --&gt; C[The next generation involved in production and R&amp;D]     C --&gt; D[Drastic evolution in family tree when shifted into other ventures or production]   </pre> <p><b>Food Production</b></p> <pre> graph TD     A([Startup with cultural heritage food production]) --&gt; B[Founder partnered with family members or migrants]     B --&gt; C[The next generation involved in transfer of traditional knowledge]     C --&gt; 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><b>From founder to next generation</b></p> <p><b>Founder generation</b> Upper management usually involved in sales and marketing. Mostly profit oriented without value added production, while founder seeks out reliable partnership.</p> <p><b>Next generation</b> Started to hire more technical R&amp;D staff to keep pace with market changes. The next generation needed to be involved in production and R&amp;D before being appointed as CEO.</p>	<p><b>From founder to next generation</b></p> <p><b>Founder generation</b> Upper management usually involved in protection of tacit knowledge. Mostly traditional in orientation, while founder attempts knowledge transfer.</p> <p><b>Next generation</b> Started to hire food technology consultant to create new products. The next generation prefers to retain certain production methods and conducted R&amp;D to promote heritage culture in food production.</p>	<p><b>Plastics Production</b></p> <div> <div>Founder tends to accumulate capital in family firm</div> <div>Enriched with MNC partnerships and education</div> <div>Established new enterprises or manufacturing plants to develop tacit knowledge aligned with changing technology</div> </div> <p><b>Food Production</b></p> <div> <div>Founder tends to startup traditional business</div> <div>Enriched with foreign technology production and cultural heritage</div> <div>Established branches, retailing outlets and cafes to promote tacit knowledge by strengthening food culture</div> </div>

### **6.3 Historical and Family Background in Plastic and Food Production**

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

Interestingly too, some of them did not commence business focusing on plastics production but had humble beginnings in metal fabrication, aquarium tank manufacturing, bicycles stands workshop, or even as a business merchant. Food production firms, on the other hand, relied mostly on the families' traditional knowledge of a recipe, inherited from an ancestor. This involved, for example, traditional remedies, traditional bakeries skill, traditional sauces production, and herbal knowledge. These products were produced by an ethnic-based enterprise and ventured into food production by developing a traditional recipe handed down from one generation to the next. For food production, the next generation combined elements of food production from different countries to create new food products, for example Japanese and Malaysia "Tianje" mooncakes, Southeast Asia's Hei Hwang health supplements, and Malaysia Hainan Chinese King's pastries and food. If compared this with plastic

production firms which had to adhere to strong contract ties and stringent control regulations based on MNC requirements, a core factor that led to difficulties to combine different technologies to create new products that were fully acceptable to the market.

In terms of 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 plastic production firms is that in the former the children were trained from 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 appreciably by the time the next generation takes over. What this study does show is that the longer the firm is sustained, during third generation; the family enterprise tends to adopt a business rejuvenation strategy by highlighting a family tradition that has shown the capacity to remain competitive and well positioned.

In plastics production, a mostly male-dominated industry, the son almost always is involved in production and R&D. In the case studies, in only two firms, Kemajuan and Yew Lee were the daughters of the founder interested in the production and R&D aspects of these firms. The participation of daughters in production and R&D processes were clearly seen in firms 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 family role, there are several understandings 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 the 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 form of production. The next generation mostly produced innovative new products rather than relying on business networks created by the founder. In food production, the founder relied on his family members in the production process to protect the tacit knowledge; a point noted is all the firms under review here. The family's role is primarily to promote products that create a niche market, a process aided by highlighting their long tradition of food production going back a number of generations in some cases. It is also obvious that family enterprises cannot run away from three important issues, that is, management, manufacturing and marketing (3Ms). If these firms have not developed these three issues properly, this may cause internal conflicts, particularly following a generational change.

#### **6.4 Generational Change and 3Ms**

The main difference between food and plastic production firms, with reference to the 3Ms, was the strong focus on technical specifications and areas of expertise when the next generation took over the business, highly required in plastics production as Malaysia rapidly industrialized. The evolution was quite pronounced among plastic production firms, from housewares manufacturer (1950-1960) to plastic injection OEM manufacturer (1960-1970), to audio visual and electronic parts for plastic engineering manufacturers (1990-2000). Higher turnover rates of skilled persons were 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 were 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 the plastics enterprises such as Chang Huat Group<sup>55</sup>, Kemajuan Plastic<sup>56</sup> and Sweetco<sup>57</sup>.

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

The longevity of some family enterprises in food production was due to their emphasis on business rejuvenation, clearly seen when they executed collaboration and teamwork with universities and research institutions to accelerate innovation and creativity. There was also a lower turnover rate of senior staff in these firms as most employees were willing to stay in order to share their experience and knowledge of traditional food

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<sup>55</sup> Chang Huat Group shut down its plastic injection plant in Thailand and Indonesia as they were unprofitable.

<sup>56</sup> Kemajuan Plastic decided to shut down its packaging plant in Casablanca due to high transaction costs.

<sup>57</sup> 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.

preparation when food technology was introduced to improve the quality of their products. This can be seen in enterprises such as Eu Yan Sang<sup>58</sup>, Ghee Hiang<sup>59</sup> and Besfomec Industries<sup>60</sup>. However, a few of these enterprises would venture into property development to accumulate more capital to invest in technology upgrading, seen in Khong Guan<sup>61</sup>, Ghee Hiang<sup>62</sup> and Red Horse<sup>63</sup>. 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.

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<sup>58</sup>Eu Yan Sang employed senior herbalists to work in its retail outlets and TCM clinics.

<sup>59</sup> Ghee Hiang retained over a long period of time a large number of senior staff who wereinvolved in the preparation in its famous Tau Sar Piah biscuits.

<sup>60</sup>Besfomec Industries showed its appreciation of senior staffs by offering them important positions in the family enterprise.

<sup>61</sup>Khong Guan redeveloped the Tanjong Rhu mill into a residential property project citing unprofitable operating costs due to intense competition in the flour milling industry.

<sup>62</sup> 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.

<sup>63</sup> 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	Plastic Production	Food Production	Comparison between Food and Plastics production
<b>Generational Change and Innovation</b>	<p><b>From founder to next generation</b></p> <p><b>(From tacit to codified knowledge)</b> Each generation codified tacit knowledge into various products that were different from one generation to the next.</p> <p><b>(Innovation)</b> <b>Skill:</b> Interpreted founder's experience and passed on skills to keep pace with industry changes.</p> <p><b>Top Down:</b> Top management replaced with project related staff based on industry specification.</p> <p><b>PUI:</b> Open to ideas, to create flattened organizations to replace with hierarchical tier and focus on new industry trends in market.</p> <p><b>Involvement:</b> Efficient administrative coordination between family members. Moved into knowledge intensive rather than labour intensive industries.</p>	<p><b>From founder to next generation</b></p> <p><b>(From tacit to codified knowledge)</b> Each generation codified tacit knowledge by highlighting its long tradition to enhance uniqueness.</p> <p><b>(Innovation)</b> <b>Skill:</b> Interpreted founder's experience and added food fusion elements to create new food trends.</p> <p><b>Top Down:</b> Top management replaced with younger competent staff to keep track of food market trends.</p> <p><b>PUI:</b> Open to ideas, to better utilize the founder's tacit knowledge, to promote brand products, and focus on new food distribution channels.</p> <p><b>Involvement:</b> Focused on business rejuvenation by highlighting tradition to enhance longevity.</p>	<p><b>Plastics Production</b></p> <p><b>Tacit Knowledge</b> ↓ Relied on knowledge of personal experience or hobby that was not found in plastic industry.</p> <p><b>Create the Concept</b> ↓ Customization of OEM products and targets MNCs.</p> <p><b>Codifying knowledge</b> ↓ Converts personal experience to create core products with particular industry specifications.</p> <p><b>Innovation capacity</b> ↓ Promotes design capabilities and enhances entrepreneurial dynamics.</p> <p><b>Enterprise Development</b> ↓ Builds on reputation based on industry specifications.</p>
<b>Strategy Management</b>	<p><b>From founder to next generation</b></p> <p><b>(Strategy)</b> 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><b>From founder to next generation</b></p> <p><b>(Strategy)</b> 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><b>Food Production</b></p> <p><b>Tacit Knowledge</b> ↓ Relies on knowledge of traditional recipe to distinguish product in food industry.</p> <p><b>Create the Concept</b> ↓ Creates personal trademark in food products, mostly localized and an ethnic enterprise.</p> <p><b>Codifying knowledge</b> ↓ 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><b>Innovation capacity</b></p> <p>↓</p> <p>Creates new market trends and unique food.</p> <p><b>Enterprise Development</b></p> <p>↓</p> <p>Asian food production in global supply chain management.</p>
<b>Organizational Outcome</b>	<p><b>From founder to next generation</b></p> <p><b>(Enterprise Development)</b></p> <p>Extends and adds to production facilities when economies of scale depended on bigger plant size.</p> <p>Promotes brand reputation by extending production line and keeping pace with discontinuous change in the plastics production industry.</p>	<p><b>From founder to next generation</b></p> <p><b>(Enterprise Development)</b></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 culture to promote food fusion.</p>	<p><b><u>Plastics Production</u></b></p> <p>Family enterprises always produced different products to keep pace with industry changes.</p> <ul style="list-style-type: none"> <li>• From electronics to semiconductors in plastic packaging or accessories.</li> <li>• From housewares to concept wares in household products.</li> <li>• From low end plastic injection to precision engineering.</li> <li>• From OEM for MNCs to own design service provider.</li> </ul> <p><b><u>Food Production</u></b></p> <p>Family enterprises always created niche markets to promote product uniqueness.</p> <ul style="list-style-type: none"> <li>• From traditional food stall to retail chain stores.</li> <li>• From domestic food production to export trading.</li> <li>• From ethnic food to Asian food.</li> <li>• From traditional food preparation (non-convenience) to automated manufacturing (convenience).</li> </ul>

## 6.5 Developing Tacit Knowledge through Innovation in Plastic and Food Production

Table6.3 presents a comparison of generational change and developing tacit knowledge through innovation in the food and plastics production sectors. In both industries, during the founder generation, creativity and innovation were considered less important and more

inwardly directed. With time, the main difference between firms in these industries was that those in plastics needed to be in production networks involving other firms, including MNCs, and their development was intensely dependent on the macroeconomic situation. Since these firms were 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 were common with partnerships involving Chinese-Malay cooperation; this was to enable them to enter into global supply chains linked to MNCs. Firms such as Lee Huat<sup>64</sup>, Sweetco Enterprise<sup>65</sup> and Cemerlang Raya<sup>66</sup> indicate 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 forged business partnerships that lasted until the second or third generation, except for the special case of Kemajuan Plastic<sup>67</sup> and Guppy Plastic<sup>68</sup>. Plastics firms normally faced a great challenge transforming themselves from labour intensive to

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<sup>64</sup> 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.

<sup>65</sup> 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.

<sup>66</sup> 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.

<sup>67</sup> 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.

<sup>68</sup> 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.

knowledge intensive enterprises to keep pace with industry changes, from a low end to high end economy.

Indeed, family enterprises in food production were not dependent on creating ties with other firms. Their unique tacit knowledge in food production was handed down from one generation to the next to develop brand 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 Hiang<sup>69</sup>, Besfomec<sup>70</sup> and Hei Hwang<sup>71</sup>. The new generation made 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 Confectionery<sup>72</sup> and Tatawa Biscuits<sup>73</sup> are examples of firms which

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<sup>69</sup> 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 the Overseas Chinese community because of the product's uniqueness.

<sup>70</sup> 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.

<sup>71</sup> Hei Hwang used its traditional beverage preparation method to produce instant White Coffee and health supplements and was able to penetrate the China market.

<sup>72</sup> 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.

<sup>73</sup> 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.

avoided agency costs and moved away from the founders' shadow, developing from traditional stores or pastry houses (founder generation) to confectionery retail chains or OEM export trading (second generation).

## 6.6 Food versus Plastics Production: Recommendation and Discussion

Table 6.4: Recommendations and Discussions in Plastic and Food Production

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

	<ul style="list-style-type: none"> <li>Needs to be highly equipped in high technology. Thus it takes times to develop expertise or niche market.</li> <li>Job fit according to education background is essential.</li> </ul>	<p>clearly seen.</p> <ul style="list-style-type: none"> <li>Highly equipped with old traditional process. Thus, it takes time to be transformed in food production.</li> <li>Not every job must fits with education background.</li> </ul>	<p><b><u>Food Production</u></b></p> <ul style="list-style-type: none"> <li>Highly highlights tradition in food production; essential to develop brand products in local and international markets.</li> </ul>
<b>Innovation Capacities</b>	<p><b>From founder to next generation</b></p> <ul style="list-style-type: none"> <li>Products look different and advances from founder's time to the next generation.</li> <li>Skills are upgraded to keep pace with industry changes.</li> <li>Industry knowledge and technical specifications are required in the top management.</li> <li>Innovation is seen in those who are able to explore new markets and determine new trends.</li> <li>Highly requires knowledge intensive enterprise.</li> </ul>	<p><b>From founder to next generation</b></p> <ul style="list-style-type: none"> <li>Products look unique, keeping in tradition with founder's time.</li> <li>Skills highly preserved and produced series of heritage food products.</li> <li>Food history knowledge and food technology is highly required in the top down management.</li> <li>Innovation seen in those who are able to distribute brand products.</li> <li>Highly requires business rejuvenation and highlights tradition of longevity</li> </ul>	<p><b><u>Plastics Production</u></b></p> <ul style="list-style-type: none"> <li>Family enterprises should enhance career development to promote knowledge transformation.</li> <li>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.</li> </ul> <p><b><u>Food Production</u></b></p> <ul style="list-style-type: none"> <li>Family enterprises should enhance production uniqueness through knowledge transformation across generations.</li> </ul>
<b>Strategy Management</b>	<p><b>From founder to next generation</b></p> <ul style="list-style-type: none"> <li>Highly focused on plant size to establish subsidiaries to enhance global supply chains.</li> <li>Highly relies on business networking with major MNCs and enforces product improvement in the value chain.</li> </ul>	<p><b>From founder to next generation</b></p> <ul style="list-style-type: none"> <li>Highly focused on distribution channel to establish outlets to promote Southeast Asian or Asian food.</li> <li>Relies on preserving tradition from one generation to next and enhances product diversification in the value chain.</li> </ul>	<p><b><u>Plastics Production</u></b></p> <ul style="list-style-type: none"> <li>Firms should produce core products as first mover in marketplace by promoting in house R&amp;D or through technology sharing.</li> </ul> <p><b><u>Food Production</u></b></p> <ul style="list-style-type: none"> <li>Firms should produce brand products to stay unique in marketplace by promoting R&amp;D.</li> </ul>
<b>Enterprise Development</b>	<p><b>From founder to next generation</b></p> <ul style="list-style-type: none"> <li>Highly focused on building reputation and achieved numerous awards from MNCs for long service as supplier.</li> </ul> <p>Rise or fall of enterprise depends on how they deal with continuous changes in plastics industry.</p>	<p><b>From founder to next generation</b></p> <ul style="list-style-type: none"> <li>Highly focused on handing down the tradition across generations.</li> <li>Rise or fall of enterprise depends on how they preserve brand reputation.</li> </ul>	<p><b><u>Plastics Production</u></b></p> <ul style="list-style-type: none"> <li>Firms should anticipate continuous changes in industry if they are to develop their enterprise.</li> </ul> <p><b><u>Food Production</u></b></p> <ul style="list-style-type: none"> <li>Firms learn from evolution of food sector changes in society to continue to develop the enterprise and ensure longevity.</li> </ul>

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 the new generations were privy to and their confidence to then incorporate professionals as part of the managerial team to codify tacit knowledge. How this tacit knowledge evolved to help an enterprise grow depended on the industry they were involved in. For firms in plastics manufacturing, diversification mattered, was even essential, and 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 emanating 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 on reputation in relation to services provided to MNCs. For firms in food production, they faced a great challenge in getting 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 plastic production required high technical skills and distribution channels linked to MNCs. Jobs based on relevant education and experience were essential in plastics production and not every family member or staff could master new production techniques. Firms in food production were known for their core traditional

products or brand products since their goods remained unique. The distribution channels for food products were broader had many firms developed export capacity. However, some firms remained small scale since they preferred to stay unique and protect their tacit knowledge. The next generation, however, was different; having access to better education, they therefore introduced new production techniques, seen for example in firms such as London Biscuits<sup>74</sup> and Vit's<sup>75</sup>. The recommendation here for both industries to better focus on the 3Ms is 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 Inc<sup>76</sup> and Tatawa's trademark<sup>77</sup>.

In terms of innovation capacity, family firms in plastics production upgraded their skills to keep pace with industry changes. However, it is difficult to correlate creativity, imagination, adoption and the way humans think to improve the 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 trademark<sup>78</sup>. As a result, it is highly recommended that the next

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<sup>74</sup> In London Biscuits, Liew Yet Lee was fully involved in production, from overall processing to special projects.

<sup>75</sup> In Vit Makanan, Lai Yaeh 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.

<sup>76</sup> LH Plus's design culture was introduced by the next generation to enhance design capabilities in the plastics sector.

<sup>77</sup> Tatawa's food culture was adapted from the Japanese to create different kinds Japanese food products.

<sup>78</sup> A patent is an exclusive right granted for an invention. The patent can be protected by meeting

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 good appearance to penetrate new markets. However, these firms should take time to better innovate tacit knowledge as brand products given the uniqueness of their products. It is highly recommended the family enterprises in food production should utilize their innovation capacities to create brand products and to ensure their 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 plastic 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 energy<sup>79</sup> and high quality of carrier tape technology<sup>80</sup>, in order to explore new opportunities generation.

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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.

<sup>79</sup> 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.

<sup>80</sup> Kemajuan Plastic was involved in in-house R&D in carrier tape technology to cater to demand from MNCs in the electronics sector.

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 tradition to stay unique in the food market while also trying to create brand products. The next generation also used Malaysia's reputation as a Halal food hub to get involved in the global supply chains or export trading. Compared with those in plastics production, food production firms implemented vertical integration strategy<sup>81</sup> as a style of management to develop supply chains. Firms such as Baker Cottage<sup>82</sup> and Hei Hwang<sup>83</sup> used the vertical integration strategy to enhance efficiency in their businesses.

To achieve longevity, industries in plastics and food production applied different strategies based on personal strength to explore new markets or new ways of doing things. In plastics production, family members continued 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

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<sup>81</sup> 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.

<sup>82</sup> 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.

<sup>83</sup> 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, specifically in health powder production.

reputation while enforcing innovation to upgrade and keep pace with the food revolution. However, it is strongly recommended to promote career development in the food technology<sup>84</sup> in order to meet the stringent requirements of international retail chains and global supply chains in the Halal market<sup>85</sup>.

## **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 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 mode 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 the family enterprises. They also started to recruit and retain professional staff to nurture innovative ideas to develop the enterprise development, a feature not common in the founder generation.

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<sup>84</sup> 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.

<sup>85</sup> 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.

This research also showed that enterprise development was influenced by how the new generation dealt with the 3Ms. The 3Ms was 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 were difficulties to enhance and maintain 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 that is the 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.

The innovation capacity was enhanced when the top gave clear directions to the work floor about what they expected of them. In addition, it enhanced an enterprise's capacity to translate their strategies to attain clear targets for each business unit. Again, the study indicates that the organization characteristics (objectives) of a family enterprise can influence the innovation capacity because this has an effect on strategy management, for example entrepreneurship strategy, marketing strategy, business rejuvenation strategy, quality assurance strategy and innovation strategy, a primary condition 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 a 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 conducted in places only located in the more industrialized cities in peninsula Malaysia (see Chapter 3). There are still many areas in other states, for example Sabah and Sarawak, or even in some more rural areas with 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. But a case study approach was adopted here to garner deep insights into the 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 had been well deployed by the succeeding generations, indicating their ability to incorporate new technology. By institutionalizing innovation within production systems, these SMEs were 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 as recommended here, which go beyond the scope of this study. As family business grow, corporate governance and leadership become increasingly critical in managing such enterprises. Family businesses are faced with internal conflicts for example the inability to separate their business and personal lives due to the varied interests of each family member, personal egos or personal rivalries that spill into the business environment. However, the overlap between the family, the business and ownership is clearly seen in these family enterprises. Therefore, future work should determine how risks heighten as intergenerational transfers take place and the complexity of the family involved in Malaysian family SMEs. 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 the business aspects. For example, a family protocol is much more essential than the outcome itself. Therefore, the second recommendation study should conduct on how family governance and firm performance link with innovation capacity among family SMEs in Malaysia.

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