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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 ways 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, policymakers 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 (Okorofo, 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 a 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 rigidness 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 intention 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.
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 (Rastah, 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\(^1\) 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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\(^1\) 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\(^2\) and Lion Group\(^3\). 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\(^{rd}\) generation family members were urged to relinquish their position as directors because of poor performance.

\(^2\) 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 company controlled by Loh, most of whom are Penang-based businessmen, particularly S.M. Aaid. The most prominent Bumiputera in Loh’s group of companies who figured as a director of Oriental Holdings and Kati Motor was the late Hamzah Sankat, the first vice-chancellor of USM. See Gomez 1999 on for an in-depth discussion on major Chinese businesses in Malaysia.

\(^3\) William Cheng Heng Jen of Lion Corporation Berhad is best known for his family’s iron foundry company, Tekk Chong Foundry Co, founded in Singapore in 1939 and later was changed to Lion Corporation Berhad. Through his main public-listed firm include Lion Corporation Bhd, Angkasa Marketing Bhd, Amalgamated Containers Bhd, Chocolate Products Bhd, Lion Land Berhad and Poslim 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 Muna Hanim 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

<table>
<thead>
<tr>
<th>Size/Sector</th>
<th>Agro-based Industries</th>
<th>Manufacturing-related production</th>
<th>Professional services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>Less than RM200,000</td>
<td>Less than RM250,000</td>
<td>Less than RM200,000</td>
</tr>
<tr>
<td>Small</td>
<td>Between RM200,000 &amp; less than RM1 million</td>
<td>Between RM250,000 &amp; less than RM10 million</td>
<td>Between RM200,000 &amp; less than RM1 million</td>
</tr>
<tr>
<td>Medium</td>
<td>Between RM1 million &amp; RM5 million</td>
<td>Between RM10 million &amp; RM25 million</td>
<td>Between RM1 million &amp; RM5 million</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Size/Sector</th>
<th>Agro-based Industries</th>
<th>Manufacturing-related production</th>
<th>Professional services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>Less than 5 employees</td>
<td>Less than 5 employees</td>
<td>Less than 5 employees</td>
</tr>
<tr>
<td>Small</td>
<td>Between 5 &amp; 19 employees</td>
<td>Between 5 &amp; 50 employees</td>
<td>Between 5 &amp; 19 employees</td>
</tr>
<tr>
<td>Medium</td>
<td>Between 20 &amp; 50 employees</td>
<td>Between 51 &amp; 150 employees</td>
<td>Between 20 &amp; 50 employees</td>
</tr>
</tbody>
</table>

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 88th and 57th 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. 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, out of 132 economies surveyed. In terms of industry-university partnership, Hong Kong ranked twenty-seven. Industry-

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4 The Keihanna Innovation Park funded by the Ministry of Education, Culture, Sports, Science and Technology (MEXT).
5 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 lack 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\textsuperscript{th} 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 agri-food, 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)\(^6\). 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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\(^6\) 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, 2nd, 3rd and 3rd+ 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)\(^7\), family-owned and managed, represented in management by different generations and had shown innovation intensity in manufacturing following a generational change.

\(^7\)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).

![Subject Matter Frequency](image)

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).

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<tr>
<td>Business Form</td>
<td>Entrepreneurship</td>
<td>Maturing business</td>
<td>Holding company or family subsidiaries, with diversified businesses</td>
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<tr>
<td>Mode of Control</td>
<td>Founder/owner/manager</td>
<td>Sibling team</td>
<td>Family branches</td>
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<td>Strategy</td>
<td>Personal vision</td>
<td>Renew business</td>
<td>Profit sustainability, generate new wealth</td>
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<td>Governance structure</td>
<td>Ad hoc, implicit</td>
<td>Informal board, implicit policies</td>
<td>Outsiders governance, formal policies</td>
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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 at 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).

![Diagram](image)

**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 3rd 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 (Grisby 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 thick 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 adoption, 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 productivity 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 (Sceranton, 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).

2.9 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 4th 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 (Morck 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, Kuck, Tan and Lee families (see Gomez, 1999).

In Malaysia, Gomez’s masterpiece on Chinese business in Malaysia: Accumulation, Ascendance, 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 Harvenston, 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.
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 intensity (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 restrain 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:-

\textit{H4: Innovation capacity across generations in family enterprises will influence strategy implementation to develop an enterprise.}

\subsection*{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:-
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

<table>
<thead>
<tr>
<th>Author (year), publication</th>
<th>Topic</th>
<th>Theory/concepts</th>
<th>Empirical material (data collection)</th>
<th>Main findings and contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>McCollum (1992) <em>Family Business Review</em></td>
<td>Family and non-family employees’ experiences of membership in a family business system</td>
<td>Family business system theory</td>
<td>565 stories from family owned retail firms</td>
<td>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.</td>
</tr>
<tr>
<td>Cole (1997) <em>Family Business Review</em></td>
<td>Role of women and impact of gender issues on women’s working lives</td>
<td>Gender, role and rules</td>
<td>Study of women in context of their business family in nine firms (interviews)</td>
<td>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.</td>
</tr>
<tr>
<td>Johannisson and Huse (2009) <em>Entrepreneurship &amp; Regional Development</em></td>
<td>Recruiting non-family board members</td>
<td>Governance, contrasting ideologies (paternalism, managerial, entrepreneurial)</td>
<td>Pilot survey of 12 family businesses; case research into two family businesses (interviews)</td>
<td>Activating the board by adding non-family members enforces managerialism and challenges dominant ideologies of paternalism and entrepreneurship. Femmes can create energized and more competitive family business.</td>
</tr>
<tr>
<td>Hall et al. (2001) <em>Family Business Review</em></td>
<td>Corporate entrepreneurship as a strategic renewal and a change process</td>
<td>Culture and learning</td>
<td>Case research into two family businesses (interviews and observations)</td>
<td>Some cultural patterns preserve traditional ways of doing business, often 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.</td>
</tr>
<tr>
<td>Ram (2001) <em>Human Relations</em></td>
<td>Impact of family dynamics on management of professional service firm</td>
<td>Small business management, family system, kinship ties, household</td>
<td>Case research in one family business (interviews, company visits, observations and documents)</td>
<td>Household relations (rather than entrepreneurial) individually important for understanding operations; tendency to undervalue female partner; employees both value ‘family’ aspects of organizational culture.</td>
</tr>
</tbody>
</table>

Table 3.1, continued.

<table>
<thead>
<tr>
<th>Author (year), publication</th>
<th>Topic</th>
<th>Theory/concepts</th>
<th>Empirical material (data collection)</th>
<th>Main findings and contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fletcher (2002) <em>Journal of Small Business and Entrepreneurship Development</em></td>
<td>Professionalization of the family business</td>
<td>Networks, culture, organizing</td>
<td>Ethnography of one family firm (observation, interviews, documents)</td>
<td>Employees strive to culture organizing by invoking emotional categories to trade away variance, divergent views and new practices.</td>
</tr>
<tr>
<td>Ainsworth and Wolfram Cox (2003) <em>Organization Studies</em></td>
<td>Dynamics of compliance, resistance and control</td>
<td>Culture, shared understanding of divisions, interpretive divisions</td>
<td>Case research into two small family firms (interviews, site visits, observations, documents)</td>
<td>Employees perspectives shed light on critical aspects of family business cultures, family has symbolic, material and ideological meaning, family is hierarchical and gendered.</td>
</tr>
<tr>
<td>Hall et al. (2006)</td>
<td>Handbook of Research on Family Businesses</td>
<td>Family and ownership influence on micro strategic processes of change</td>
<td>Areas, legitimacy, role and value, social interaction</td>
<td>One case illustration of a medium-sized family business</td>
</tr>
<tr>
<td>------------------</td>
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<td>--------------------------------------------------</td>
</tr>
<tr>
<td>Steier (2007)</td>
<td>Journal of Business Research</td>
<td>Family’s role for entrepreneurial start-up</td>
<td>Entrepreneurship, narrations, family ties</td>
<td>Case research into one start-up (interviews, company visits, documents)</td>
</tr>
<tr>
<td>Nordqvist and Melin (2008)</td>
<td>Long Range Planning</td>
<td>The role of actors in strategic planning processes</td>
<td>Strategy-as-practice, champions</td>
<td>Case research into two family business strategic planning processes (interviews, observations and documents)</td>
</tr>
<tr>
<td>Hall and Nordqvist (2008)</td>
<td>Family Business Review</td>
<td>Professional Management</td>
<td>Culture and symbolic interactionism</td>
<td>Case research into five family firms (interviews, observations)</td>
</tr>
</tbody>
</table>

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 have 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, 3rd 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>
<thead>
<tr>
<th>Family Enterprise</th>
<th>Nature of Business</th>
<th>Location Area</th>
<th>Recognitions</th>
<th>Reason to choose</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Bu Yan Song</td>
<td>Traditional Chinese Herbs, Medicine and Cures</td>
<td>Pudu Shaw Parade, Klang, Selangor</td>
<td>The Brand Icon Leadership Awards 2011 for Dato' Anne Eu, Malaysia CEO for Eu Yan Song group</td>
<td>3rd Generation family business. Father, son and daughter leadership role clearly seen and assigned in Singapore, Hong Kong &amp; Malaysia. Able to see the evolution changes from traditional shop to retailing and manufacturing. TCM Clinic indicating development of local knowledge.</td>
</tr>
<tr>
<td>2. Khong Guan</td>
<td>Cream Filled Biscuits and Biscuit Wafer</td>
<td>Semai Industrial Estate, Jalan Ipoh, Kuala Lumpur</td>
<td>Merdeka Selection International Accolade Best Quality Biscuits 2004</td>
<td>3rd Generation family business. Father and son leadership role clearly seen. Able to see the evolution from traditional biscuit maker to production for international market.</td>
</tr>
<tr>
<td>3. London Biscuit</td>
<td>Snack Food, Cake Roll and Candies Manufacturer</td>
<td>Desa Cemerlang Industrial Estate, Ulu Tiram, Johor</td>
<td>MITI Product Industry Excellence Award 2004</td>
<td>2nd Generation family business. Husband, wife and their children’s leadership roles are clearly seen. Able to see the evolution from family business to snack food to London Biscuit group.</td>
</tr>
<tr>
<td>5. King’s Confectionery</td>
<td>Bakers and Confectioneries Manufacturer</td>
<td>Taman Kepong Industrial Estate, Kuala Lumpur</td>
<td>Malaysia Largest Retail Confectionery Chain in Malaysia. Nearly 90 outlets in Malaysia</td>
<td>2nd Generation family business. Sister and brother leadership role are clearly seen. Able to see the evolution from hawker centre to outlet retailing to café franchise.</td>
</tr>
<tr>
<td>6. Laksa World</td>
<td>Noodles and Malaysia Food Delights manufacturing</td>
<td>Taman Bukit Melur Industrial Estate, Kuala Lumpur</td>
<td>Serem Approved Laksaka Usaha Noodle Products are the Clearest Mee in Malaysia 2010</td>
<td>2nd Generation family business. Father, son and daughter leadership role clearly seen. Able to see the evolution changes from home based business to manufacturing to push into global arena.</td>
</tr>
<tr>
<td>7. TPC Plus</td>
<td>Poultry Farming and Pioneer Egg Producers</td>
<td>Amanjaya, Klang, Selangor</td>
<td>McDonald's Appointed Supplier of Fresh Farm Eggs</td>
<td>2nd Generation family business. 3 Brothers leadership role in 2 family partnerships clearly seen. Able to see the evolution changes from chicken farming to poultry farming to food biotechnology.</td>
</tr>
<tr>
<td>8. Vit Malamai</td>
<td>Instant Noodles Manufacturer With Vit's Trademark</td>
<td>Rawang Integrated Industrial Estate, Selangor</td>
<td>Good Manufacturing Practice (GMP), HACCP Certification</td>
<td>2nd Generation family business. Father and son leadership role clearly seen. Able to see the evolution changes from chicken farming to poultry farming to food biotechnology.</td>
</tr>
<tr>
<td>9. Besfomec</td>
<td>Traditional Essence, Drinks and Herbs</td>
<td>Amanjaya, Klang, Selangor</td>
<td>Good Manufacturing Practice (GMP), HACCP Certification</td>
<td>3rd Generation family business. Father and son leadership role clearly seen. Able to see the evolution changes from herbal products to Besfomec essence of products to nutrition supplement medicine.</td>
</tr>
<tr>
<td>Family Enterprise</td>
<td>Nature of Business</td>
<td>Location Area</td>
<td>Recognitions</td>
<td>Reason to choose</td>
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<tr>
<td>10. Baker's Cottage</td>
<td>Bakers and Confectionaries Manufacturer</td>
<td>Wisma Westcourt, Jalan Rasag Lama, Kuala Lumpur</td>
<td>Best Mooneska Award in Malaysia</td>
<td>3rd Generation family business; Grandchild's leadership role clearly seen; Able to see the evolution from subsidiary of Leong Hup poultry farm to diversify into retail confectionary chain.</td>
</tr>
<tr>
<td>11. Ghee Hiang</td>
<td>Sesame Oil, Tau Sar Piah and food products</td>
<td>Macalister Road, Penang State</td>
<td>Oldest Heritage Business in Cookery Industry; Hong Kong Superbrand Award for Sesame Oil</td>
<td>3rd Generation family business; 3rd and 4th generation for 2 family leadership role clearly seen; Able to see the evolution changes from Ghee Hiang old fashioned store to food's manufacturer to sesame seed biotechnology plant.</td>
</tr>
<tr>
<td>12. Khum Thum</td>
<td>Varieties Sauces and Yee Sang Processed Food</td>
<td>Sungai Balai Industrial Estate, Selangor State</td>
<td>Malaysia Kinta Award 2002; Golden Bull Award 2003; IEC ISO UK 22000:2005</td>
<td>2nd Generation family business; Father, son and daughter leadership role clearly seen; Able to see the evolution changes from door to door lorry selling to sauce manufacturer to frozen food products and Yee Sang favorites.</td>
</tr>
<tr>
<td>13. KLT Food Industries</td>
<td>Restaurant Business and Mooneska Manufacturer</td>
<td>Cheras Jaya Industrial Estate, Selangor State</td>
<td>Mooneska Superbrand Award in 2000; Golden Chef Award-Paris 2000</td>
<td>2nd Generation family business; Father and Son leadership role clearly seen; Able to see the evolution changes from hawker centre to restaurant business and food enters into movies and food-related manufacturer.</td>
</tr>
<tr>
<td>14. Red Horse</td>
<td>Beverages and Fruit Juice Concentrate Manufacturing</td>
<td>Taman Kepong Industrial Estate, Kuala Lumpur State</td>
<td>Halal Food Recognition</td>
<td>2nd Generation family business; Father and Son leadership role clearly seen; Able to see the evolution changes from door to door van selling to manufacturing to customize order for export trading.</td>
</tr>
<tr>
<td>15. Hei Hwang</td>
<td>Coffee Powder and Health Supplement Powder Manufacturer</td>
<td>Ipoh Silibin 1 Light Industrial Estate, Perak State</td>
<td>Golden Brand Award of Ipoh Coffee in China; Singapore Most Promising Health Supplements</td>
<td>2nd Generation family business; Father and Sons leadership role clearly seen; Able to see the evolution changes from Chinese traditional herb drinks to coffee powder manufacturer to health supplement of herbal remedies.</td>
</tr>
<tr>
<td>16. Bing Hop Seng</td>
<td>Sesame Oil and Sauce Manufacturer</td>
<td>Kampung Baru Industrial Estate, Selangor State</td>
<td>Halal Food Certification</td>
<td>2nd Generation family business; Father and Sons leadership role clearly seen; Able to see the evolution changes from retail shop to manufacturing to contract based supplier by bulk.</td>
</tr>
<tr>
<td>17. Regent Food</td>
<td>Fats and Nuts Manufacturer with Different Flavor</td>
<td>Kampung Baru Industrial Estate, Selangor State</td>
<td>Best Fats and Nuts Product in Asia Pacific Region</td>
<td>2nd Generation family business; Father and Sons leadership role clearly seen; Able to see the evolution from small business supplier to food processing to export trading.</td>
</tr>
</tbody>
</table>

Notes on abbreviations:
HACCP - Hazard analysis and critical control points
KLT - Kam Luen Tiu
MITI - Ministry of International Trade and Industry
MNC - Multinational Companies
R&D - Research and Development
SMES - Small and Medium Enterprises
TPC - Teck Ping Chum
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 participate based on preselected criteria relevant to a particular research question (for example, those Malaysian family-owned manufacturing enterprises that have been through one or more generational changes). From this sample base, second and third generation owners were interviewed.

The advantage of purposive sampling is that it allows the researcher to 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

81
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

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</tr>
</thead>
<tbody>
<tr>
<td>Primary*</td>
<td>44.3</td>
<td>33.9</td>
<td>28.1</td>
<td>20.5</td>
<td>15.50</td>
<td>15.4</td>
</tr>
<tr>
<td>Secondary**</td>
<td>18.3</td>
<td>24.9</td>
<td>30.0</td>
<td>36.5</td>
<td>40.6</td>
<td>29.9</td>
</tr>
<tr>
<td>Tertiary</td>
<td>37.4</td>
<td>41.2</td>
<td>41.9</td>
<td>43.0</td>
<td>43.9</td>
<td>57.6</td>
</tr>
</tbody>
</table>

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 shrunk 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 petrochemical 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, 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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8 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 fulfill 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

<table>
<thead>
<tr>
<th>Industrial Subsector</th>
<th>Non-Innovative (%)</th>
<th>Incremental Innovation (%)</th>
<th>Radical Innovation (%)</th>
<th>Total Firms</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Food Processing</strong></td>
<td>24.4</td>
<td>21.1</td>
<td>27.8</td>
<td>202</td>
<td>24.6</td>
</tr>
<tr>
<td>Textiles</td>
<td>3.7</td>
<td>6.1</td>
<td>2.4</td>
<td>32</td>
<td>3.9</td>
</tr>
<tr>
<td>Garments</td>
<td>19.9</td>
<td>4.4</td>
<td>6.2</td>
<td>68</td>
<td>8.3</td>
</tr>
<tr>
<td>Wood Products</td>
<td>3.7</td>
<td>1.7</td>
<td>2.4</td>
<td>24</td>
<td>2.9</td>
</tr>
<tr>
<td>Chemical Products</td>
<td>5.6</td>
<td>10.6</td>
<td>7.2</td>
<td>58</td>
<td>7.1</td>
</tr>
<tr>
<td><strong>Rubber and Plastic</strong></td>
<td>22.7</td>
<td>31.7</td>
<td>27.8</td>
<td>213</td>
<td>25.9</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>9.7</td>
<td>9.4</td>
<td>7.2</td>
<td>74</td>
<td>9.0</td>
</tr>
<tr>
<td>Electrical Machinery,</td>
<td>2.1</td>
<td>1.1</td>
<td>3.8</td>
<td>19</td>
<td>2.3</td>
</tr>
<tr>
<td>Apparatus, Office,</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounting &amp; Computing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electronics (Equipment &amp;</td>
<td>3.9</td>
<td>3.3</td>
<td>3.4</td>
<td>30</td>
<td>3.7</td>
</tr>
<tr>
<td>Components)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auto Parts, Motor Vehicles</td>
<td>2.6</td>
<td>3.3</td>
<td>3.4</td>
<td>24</td>
<td>2.9</td>
</tr>
<tr>
<td>Furniture</td>
<td>10.7</td>
<td>7.2</td>
<td>8.6</td>
<td>77</td>
<td>9.4</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>821</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Productivity and Investment Climate Survey 2, 2007

Table 4.3: Types of Innovation among Manufacturing Firms

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

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 4.4 and 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. 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. 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.

9 SMEs with more than 150 employees were classified as medium and large-scale enterprises.
10 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 Huit 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>
<thead>
<tr>
<th>Plastic Enterprises/ Business Nature</th>
<th>Year incorporated / Generation</th>
<th>Annual Sales (RM million)</th>
<th>Number of Employees</th>
<th>Number of Family Members</th>
<th>Number of Managers</th>
<th>Number of Subsidiaries</th>
<th>Number of Equipment</th>
<th>Number of New Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. SKP Resources (Plastic Injection)</td>
<td>1974 2nd</td>
<td>10-255</td>
<td>100-2000</td>
<td>3-90</td>
<td>5-50</td>
<td>1-6</td>
<td>7-200</td>
<td>+150</td>
</tr>
<tr>
<td>2. Eina Plastic (PVC Pipe)</td>
<td>1980 2nd</td>
<td>8-172</td>
<td>100-500</td>
<td>2-80</td>
<td>3-12</td>
<td>1-2</td>
<td>2-50</td>
<td>+120</td>
</tr>
<tr>
<td>4. Chang Huat (Plastic Injection)</td>
<td>1988 2nd</td>
<td>5-86</td>
<td>50-400</td>
<td>2-50</td>
<td>4-40</td>
<td>1-6</td>
<td>4-150</td>
<td>+90</td>
</tr>
<tr>
<td>5. Lee Huat (Housewares)</td>
<td>1947 3rd</td>
<td>2-58</td>
<td>20-600</td>
<td>3-20</td>
<td>3-10</td>
<td>1-4</td>
<td>3-80</td>
<td>+110</td>
</tr>
<tr>
<td>6. Polyvac (Plastic Injection)</td>
<td>1977 2nd</td>
<td>5-55</td>
<td>15-60</td>
<td>3-10</td>
<td>2-8</td>
<td>1-2</td>
<td>2-25</td>
<td>+70</td>
</tr>
<tr>
<td>7. Lam Seng (Container &amp; Plastic Injection)</td>
<td>1967 2nd</td>
<td>5-45</td>
<td>20-330</td>
<td>2-10</td>
<td>2-20</td>
<td>1-7</td>
<td>4-150</td>
<td>+90</td>
</tr>
<tr>
<td>8. Kemajuan (Carrier Tape)</td>
<td>1973 2nd</td>
<td>2-38</td>
<td>20-110</td>
<td>2-20</td>
<td>3-10</td>
<td>1-3</td>
<td>3-50</td>
<td>+50</td>
</tr>
<tr>
<td>9. New Lee (Broom &amp; Brush)</td>
<td>1970 2nd</td>
<td>2-18</td>
<td>5-70</td>
<td>2-10</td>
<td>2-6</td>
<td>1-2</td>
<td>3-20</td>
<td>+80</td>
</tr>
<tr>
<td>10. Cemerlang Raya (Broom &amp; Brush)</td>
<td>1987 2nd</td>
<td>1-5</td>
<td>5-100</td>
<td>2-10</td>
<td>2-5</td>
<td>None</td>
<td>3-10</td>
<td>+48</td>
</tr>
<tr>
<td>11. Sweetco (PVC Canvas)</td>
<td>1929 3rd</td>
<td>0.5-1.5</td>
<td>30-50</td>
<td>2-8</td>
<td>1-5</td>
<td>1-4</td>
<td>5-10</td>
<td>+20</td>
</tr>
</tbody>
</table>

Source: Annual Company Records from Companies Commission of Malaysia (SSM).
### Table 4.4: Brief History and Tacit Knowledge Transformation in Plastic Production

<table>
<thead>
<tr>
<th>Business Nature</th>
<th>Establishment</th>
<th>Brief/History, Family Tree and Family Role in Plastic Production</th>
</tr>
</thead>
</table>
| **1. SKP Resources**  
(Large Scale Enterprise)  
(High Precision Plastic Injection)  
(Plastic Injection) | 1974-2011  
(2nd Generation) | **Brief/History**  
- Started as plastic injection workshop in Singapore in the 1960s.  
- Gradually received orders from manufacturers and household products.  
- Moved to Singapore to fab and later expanded its manufacturing and assembly of electronic and electrical equipment.  
- Converted to a pentagon conglomerate in 2001 and then to SKP Resources Berhad (2002) and appointed as a leading manufacturer in the Audio Pioneer group (2003).  
- Assigned Dato' Chu Si Peng, son-in-law, to manage the Technic group Berhad.  
- Acquired license manufacturing warehouse (LMW) in 2006 and involved in AFTA (2008) for better business opportunities during the second generation leadership.  
- Knowledge transferred from workshop experience to MIEC contract manufacturer and sustainable in industry diversification (Automobile & Industrial Packaging).  
**Family Tree**  
**First Generation (1970-2005)**  
- Early establishment of Sim Kwang Plastic in Singapore  
- Dato' Chu Si Peng (Founder)  
  - 910,150 shares  
- Dato' Tan Sock Keng (Founder's Wife)  
**Second Generation (2005-2011)**  
- Dato' Chu Si Peng (Son)  
- Miss Chu Si Peng (Younger Daughter)  
- Gan Chi Soon (Poh Ling's Husband)  
  - 415,000 shares  
**Family Role in Organization Structure**  
**First Generation (1970-2005)**  
- SKP Resources Berhad  
  - Plastic Injection  
  - Dato' Chu Si Peng (Managing Director)  
  - Gan Poh Ling (Executive Director)  
  - Gan Poh Ling (Executive Director-Marketing)  
- Technic Group Berhad (Investment Holding)  
**Second Generation (2006-2011)**  
- Dato' Chu Si Peng (Executive Chairman)  
- Gan Poh Ling (Executive Director)  
- Gan Poh Ling (Executive Director-Marketing)  
- Gan Chi Soon (Executive Director-Purchasing and operation reform)  

**Product/Manufacturer**  
**First Generation (1970-2005)**  
- Customized household molding producer  
- Industrial engineering plastic parts and accessories  
**Second Generation (2005-2011)**  
- Vendor of longest television frame and audio visual parts for Sharp, Audio Pioneer, Hewlett Packard  

**Miscellaneous cases for industrial engineering and multimedia devices compliance with Japanese standard.**
2. Bina Plastic
(Medium Scale Enterprise)
(Plastic Injection Molding)
(PVC Pipe)

Product Manufacturer
First Generation (1980-2005)
Plastic piping and parts manufacturer for commercial

1980-2011
(2nd Generation)

Brief history
- Started as PVC piping factory warehouse in Malaysia (Selangor) in 1980.
- Founder as the first mover to produce the PVC piping system approved by SIRIM (Standard Institution of Malaysia) targeted retail shop or construction (1985).
- BNPP PVC piping system implemented in water treatment and Bina started to ensure strong business networking with local government (1990-2000).
- PVC piping system has been upgraded to UPVC Piping system (1990). HDPE Polypropylene (1990) and ABS piping system (2000) align with Malaysian standards since PVC piping has been found to contain some hazardous material.
- During the second generation leadership, Ong Yong Kee Kong and Ong Yong Han were involved in production R&D to upgrade the piping knowledge to be used in various industries such as telecommunications, electronics; food and beverage.
- Knowledge upgraded from PVC piping to Malaysia SIRIM approved plastic piping system and to lift the piping system industry.

Family Tree
First Generation (1980-2005)

Founder with sibling partnership established plastic factory

- Ong Ken Sim (Founder)
  - 1,000,000 shares
- Ong Ken Hong (Founder's brother)
  - 3 shares
- Pang Moi (Ken Hong's wife)
  - 249,997 shares

Second Generation (2006-2011)

Children of Ong Ken Sim

- Ong Kim Seong (Founder's Son)
- Ong Yong Kee Kong (Founder's Son)
- Ong Yong Han (Founder's Son)

Family Role in Organization Structure
First Generation (1980-2005)

Bina

Bina Plastic Industries
(PVC Piping Manufacturer)

- Ong Ken Sim (Main Managing Director)
- Ong Kam Hong (Director)
- Pang Moi (Director - Administration)

Second Generation (2006-2011)

Bina Plastic Group of Companies
(Plastic Piping System Solution)

- Ong Kim Seong (Director - Sales & Marketing)
- Ong Yong Kee Kong (Production Engineer)
- Ong Yong Han (Production Engineer)

Piping system and solution for different industries such as telecommunications

BBB (Bina approved) PVC Piping distributor with SIRIM certification

BBB trademark of plastic piping system and fittings

Telecommunications
Brief History
- Started as Gombak fish farm in Malaysia (Selangor) in 1965.
- Both partners: KO Ng and CP Goh were interested in fish rearing.
- Guppy moved to Selangor when they started receiving orders from MNCs.
- Knowledge transformed from plastic aquaculture to plastic precision engineering and sustainable in plastic injection adapted to the latest technology.

Family Tree
First Generation (1970-2006)
- Establishment of Gombak Fish Farms
  - Goh, Choon Pew (Founder)
    - 1,000,000 shares
  - Ng Ah Heng @ Ng Kiat Guan (Founder)
    - 1,000,000 shares

Second Generation (2005-2011)
- T H Tan (Non-family member)
- Puan Rose (Non-family member)
- Ang Boon Hin (Non-family member)
- Datin Lee (Non-family member)
- Cheong Teo Peng (Non-family member)

Family Role in Organization Structure
First Generation (1970-2006)
- Partnership business between Ng & Goh

Second Generation (2005-2011)
- Gombak Fish Farm
  - Ng Ah Heng @ Ng Kiat Guan and Goh, Choon Pew (Founders)
  - Max Goh (Manager)
- Guppy Plastic (Selangor)
  - Ng Ah Heng @ Ng Kiat Guan (Director-Administration)
  - Goh, Choon Pew (Executive Director)

Guppy (Penang)
- KO Ng
- CP Goh
- Lee Kim Liang
- Lee Kim Poong
- Christine (Manager - Marketing)
- Dawn Lee (Manager - Administration)
- Siow Huat (Manager - Operations)

Guppy (China)
- KO Ng
- CP Goh
- Lee Kim Liang
- Lee Kim Poong
- Christine (Manager - Marketing)
- Dawn Lee (Manager - Administration)
- Siow Huat (Manager - Operations)

Guppy (US)
- KO Ng
- CP Goh
- Lee Kim Liang
- Lee Kim Poong
- Christine (Manager - Marketing)
- Dawn Lee (Manager - Administration)
**Brief History**
- Started as hands-on plastic injection training in Malaysia (Johor) in 1989.
- Setup Hong Huat Plastic Industries in Singapore (1986).
- Hong Huat Group Berhad established (1995).
- Setup Chang Huat Industries (Khlong) in Thailand focused on MNCs for orders.
- Acquired 65% of interest in Arun Derrmaga Sdn Bhd.
- Entire interest was disposed to Heng Huat Plastic (B) Sdn Bhd (2008).
- Disposal of the entire equity interest in Chang Huat Plastic Industries (Sensi) and Chang Huat Plastic Industries sold to Lim Chong Kiat and Wong Kong Sun (2010).
- Acquisition remained 37% equity interest of Arun Derrmaga Sdn Bhd in late (2010).
- Transformation of its core direction to Oil & Gas and changed to Petrol One Resources from (2011-2012) lead by Lim Kim Boon.
- Knowledge learned from plastic injection hand on experience to plastic injection molding expert and sustainable transformation in oil and gas service industry.

**Family Tree**

**Hands-on experience over 30 years in Chang Huat Plastic**

**Lim Kai & Lim See Khi (Founder)**
- 25,406 shares

**Second Generation (2000-2011)**

- Lim Lai Huat
  - Eldest Son
  - 1,617,506 shares

- Lim See Bee
  - Daughter (Not Involved)
  - 150,150 shares

- Lim Kim Boon
  - Second Son
  - 2,875,000 shares

- Children of Lim Kai

- Brother of Lim Lai Huat

**Family Role in Organization Structure**

**Chang Huat Group**
- Plastic Injection Moulding

  - Lim Kai & Lim See Khi
    - Group Executive Chairman
  - Lim Lai Huat
    - Group Managing Director
  - Lim See Bee
    - (Not Involved in Business)

**Petrol One Resources**
- Oil and Gas Shipping

  - Lim Lai Huat
    - Group Chairman
  - Lim Kim Boon
    - New Group Chairman and Managing Director
### Lee Huat Plastic

**Product Manufacturer**
- **First Generation (1947-1969)**
  - Bicycle stands and parts later upgraded into drawer fittings
  - Simple plastic housewares production with dishes, spoon and cup

- **Second Generation (1969-2001)**
  - Full range of "Tupperware" trend of plastic housewares
  - Appointed as Rubbermaid bottles manufacturer in Malaysia

- **Third Generation (2001-2011)**
  - Creative with customized design of bathroom fittings
  - Customized design of innovative desk wares from different countries

**Brief History**
- Started as bicycle stands workshop in Malaysia (Kuala Lumpur) around 1947-1969.
- Tony Chen takes over the family business (1969) in Kepong.
- Manufactured plastic housewares and received customisation orders from local MNCs.
- Appointed as the main supplier to produce innovative plastic wares for sonorous households or premium targeted Rubbermaid, Nestle, Milo and Glaxo Smith Klein (1980-1990) with the booming of "Tupperware" trend.
- Knowledge utilized from bicycle stands producer to plastic furniture wares and innovative plastic wares and promotes design capabilities.

**Family Tree**

<table>
<thead>
<tr>
<th>Establishment of bicycle stands manufacturer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chem Kow Fatt (Founder) Passed Away</td>
</tr>
</tbody>
</table>

**Second Generation (1969-2001)**
- Tony Chen Kwok Ming (Elder Son) 1,553,904 shares

**Third Generation (2001-2011)**
- Calum Chen Kok Seng (Elder Son) 1,852,948 shares
- Chen Kok Hwa (2nd Son) 942,074 shares
- Chen Kok Leong (3rd Son) 1,183,518 shares

**Children of Tony Chen**
- Clement Chen
- Carolyn Chen (Elder Daughter)

**Children of Calum Chen**

**Family Role in Organization Structure**

<table>
<thead>
<tr>
<th>Lee Huat Plastic Industries (Plastic Housewares)</th>
<th>LHL Plus Sdn Bhd (LHL Plastic Products)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tony Chen Kwok Ming (Director-2nd Generation)</td>
<td>Callum Chen Kok Seng (Director-Management)</td>
</tr>
<tr>
<td>Chen Kok Hwa (Director-Marketing)</td>
<td>Chen Kok Leong (Director-Manufacturing)</td>
</tr>
</tbody>
</table>

**Fourth Generation (Upcoming)**

<table>
<thead>
<tr>
<th>Clover Design (Premium and Gift)</th>
<th>Halle Agency Sdn Bhd (Design Enterprise)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caryl Chen - 4th Generation (Sales and Marketing Manager)</td>
<td>Clement Chen - 4th Generation (Product Development Manager)</td>
</tr>
</tbody>
</table>
6. Polytec
   (Small Scale Enterprise)
   (High Precision Plastic Injection)
   (Plastic Injection)

   **Product Manufacturer**
   **First Generation (1977-2006)**
   Conductive paper feeder
   parts for writing instruments

   Paper tray parts and accessories
   for printer, fax and photocopy

   **Second Generation (2007-2011)**
   New product of Surveillance
   sensor with wire assembly

   Energy saving spotlight system
   with wire assembly

   **Brief History**
   - Started as plastic injection service provider in Malaysia (Penang) in 1977.
   - Founder was an engineer and achieved Underwriting Laboratories (UL) (1978).
   - Started to develop own manufacturing plant including sub-assembly plastic injection
     based on single MNC's requirement in writing instrument area.
   - Started to receive orders from local MNCs, particularly worked on writing instrument
     such as printer casing, fax machine and photocopy machine parts (1979-1988).
   - Customer design experience were gained from the local MNCs such as Epson, AMD,
     Sony and Yongma and ventured into semiconductor industry (1990).
   - Under the second generation leadership, the primary and secondary part of the processing
     done in Polytec and later sent to Hanbing Industries lead by another family member to
     perform wire harness and assembly process.
   - Second generation started to explore opportunities in renewable energy from the idea
     of ink saver printer machine through virtual R & D (2007).
   - Knowledge gained from plastic molding service to precision plastic manufacturing
     and sustainable in renewable energy plastic.

   **Family Tree**
   **First Generation (1977-2006)**
   - Founder was an engineer before establishing Polytec
     - BK Khor Chong Kee
       (Founder)
       90,290 shares
     - Lai Lee Choo
       (Founder's Wife)
       89,686 shares

   **Second Generation (2007-2011)**
   - Sons of BK Khor Chong Kee
     - Ken Khor Ken Hoon
       (Eldest Son)
     - Wilfred Khor
       (Younger Son)

   **Family Role in Organization Structure**
   **First Generation (1977-2006)**
   - Polytec
   - Polytec Service (Workshop)
     - BK Khor Chong Kee
       (Founder-Retired)

   **Second Generation (2007-2011)**
   - Polytec Industries Sdn Bhd
     (Plastic Technology Solution)
     - Khor Ken Hovi (Director-CEO)
       (2nd Generation)
   - Hanbing Industries
     (Wire Assembly)
     - Wilfred Khor (Director-CEO)
       (2nd Generation)
7. Lam Seng
(Medium Scale Enterprise)
(Plastic Injection Molding)
(Containers & Plastic Injection)

Product Manufacturer
First Generation (1967-1999)
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

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 group later expanded their business into precision and high technology industry such as LEP precision (1995), Euroffine Industry (2000) and PT Euroffine (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)

Old Second Generation (2000-2011)
(Owners of old second generation)
Tan Chew Hian and Tan Chew Ho
(Each owned 21,428 shares)
Low Sin Chen (7,143 shares - Not Involved in Business)
Tan Wan Kah (7,143 shares)

New Second Generation (2009-2011)
(Owners of new second generation)
Toh Qian Cheng, Tan An Chiew and Tan An Yew
(Each owned 7,143 shares)

Family Roles in Organization Structure

First Generation (1967-1999)
Second Generation (2000-2011)

Tan Boon Bak
(Chemical Engineering)

Tan Lam Group
(Plastic Injection Molding)

Tan Kim Pew & Kim Phow
(Chairman)
Tan Kim Long
(Company Director)
Tan Kim Hwa
(Company Director)
Tan Chew Seng
(Lam Seng Group Chairman)

Tan Chew Hian & Lok Choo
(Chairman 1)
Tan Boon Ho
(Chairman 2)
Tan An Chiew
(Production Manager)
Tan An Yew
(Production Manager)
Brief History
- Founded as metal fabrication and contract's firm in Malaysia (Jinjung) in 1973.
- Both partnership founders were involved in metal fabrication and supplied stainless steel cabinets and equipment to local electronic MNCs (1973-1982).
- Acquired knowledge from Korean plastic manufacturer and produced plastic packaging to store electronic devices distributed to local MNCs (1987).
- Provided OEM capabilities and built up networking with local MNCs in the electronics sector (Toshiba, Epson, Mokita, Hisense, and Sanyo) (1989-1997).
- Established overseas manufacturing plant in Thailand and Casablanca prompt delivery distributed internationally in the countries, just-in-time (JIT).
- Ventured into semiconductor industry to Fairchild, Motorola, and STMicroelectronics when second generation, Chia Jurng Shyong (3rd Chia) handled the family business with his education background in telecommunication engineering (1999).
- Sibling partnership between Chias and Chan family members to manage the family business with in-house R & D specialization in carrier tape (2005).
- Knowledge specialized from metal fabrication supplier for MNCs to plastic packaging for electronic and sustain in carrier tape industry.

Family Tree
First Generation (1973-2000)
- From metal fabrication to plastic production
  - Chen Wee Koon (Founder) 12,500 shares
  - Chia Kim (Deceased) (Founder) 12,500 shares
  - * Song Kwee Fong (Founder's Wife)

Second Generation (2001-2011)
- Produced carrier tapes compliance with international standard
  - Chen Wei Yen (Chia's elder son)
    - P.S. Chan (Chia's younger daughter)
  - Chia Jurng Shyong (Only Son)
    - J.P. Chia (1st Daughter), J.B. Chia (2nd Daughter)
    - J.L. Chia (3rd Daughter), J.W. Chia (4th Daughter)

Family Role in Organization Structure
First Generation (1973-2000)
- Business partnership
  - Chia and Chan

Second Generation (2001-2011)
- Hong San Metal Works
  - Chen Wee Koon and Chia Kim (Founders)
- Syarikat Feringgunan Kemajuan Int
  - (Director - 2nd Generation)
  - Chia Wei Yen (Director-Finance)
  - Chia Jurng Shyong (Director-Sales & Marketing)

Kemajuan (Thailand)
- (Directors - 2nd Generation)
  - P.S. Chan, Chia Wei Yen (Manager Accounting & Finance, Quality Assurance)
  - J.P. Chia (Manager - Administration)
  - J.L. Chia (Manager-Manufacturing)

Kemajuan (Casablanca)
- (Directors - 2nd Generation)
  - J.B. Chia (Manager-R & D)
  - J.W. Chia (Manager-Purchasing)
**Brief History**
- Founded in 1960-1970 as a bean sprout family business in Malaysia (Kuching) and started broom making.
- Founder retired in 2000-2011.
- Founder’s wife, the current owner, has 2 daughters.
- Daughter Tan Lay Koon (First Daughter) and Tan Lay Peng (Second Daughter) are in the current management.
- The company has evolved from a small-scale enterprise to a diversified business.
- The family business has diversified into industrial and personal care brush products.

**Product Line**
- **First Generation (1970-2000):**
  - Household brushes for household use.
  - Industrial brushes for industry, electronics, food, rubber, plastic, wood, and textile industries.

- **Second Generation (2000-2011):**
  - Personal care brushes for cosmetology and personal care.

**Family Tree**
- Founder: Dato Tan Tian Teo (Founder) 750,000 shares
- Founder's Wife: Yong Pek Hien (Founder's Wife) 250,000 shares
- Daughters: Tan Lay Koon (First Daughter), Tan Lay Peng (Second Daughter), Tan Lay Ting (Third Daughter)

**Organization Structure**
- **First Generation (1970-1999):**
  - Yew Lee Industrial (home-based)
  - Dato Tan Tian Teo and Yong Pek Hiean (Founder and his wife)

- **Second Generation (2000-2011):**
  - Yew Lee Industrial Brush (Industrial Brushes Expert)
    - Tan Lay Koon (Company Director-Strategic Planning)
    - Tan Lay Peng (Company Director-Sales & Marketing)
  - Clean & Beautiful (S) Sdn Bhd (Cleaning Equipments)
    - Tan Lay Ting (Director)
10. Comerlang Raya
(Small Scale Enterprise)
(Houseware)
(Broom & Brush)

Product Manufacturer:
First Generation (1997-2001)

Started as family business hardware merchant named Tan Ban Seng.

Broom production targeted for household used and distributed to the local hardware shops

Second Generation (2002-2011)

Rayaco concept based cleaning agent production

Rayaco brand of industrial sponge and brushes production

Brief History:

- Started as hardware merchant in Malaysia (Kepong).
- Founder was one of the directors and later opened broom factory (1997).
- Founder manufactured broom products and distributed to major hardware shops. However, the factory was burned down because of old machine breakdown (1993).
- Founder invited his relatives and family members to provide organization learning in machine upgrading and later moved to a new factory at Rawang (2000).
- The founder brought his 3 children after their overseas studies and started to involve them in production and R&D to produce concept-based cleaning agent (2002).
- Second generation combined 3M cleaning concept to promote innovativeness thus coming out with Rayaco cleaning products.
- Knowledge managed from Tan Ban Seng hardware to Comerlang Raya plastic firm and sustain as concept based Rayaco Cleaning Agent.

Family Tree:
First Generation (1997-2001)

Partnership business between husband & wife

Tan Kim Chuan (Founder)  
20,000 shares

Low Boon Seng (Tan's Relative)  
Low Boon Kim (Tan's Relative)  
Low's brothers belong to founder Tan Kim Chuan's family

Yap Yi Lion (Founder's Wife)  
400,000 shares

Yap Chee Keong  
(Yap's Brother)

Yap Yi Liang with her brother

Second Generation (2002-2011)

Tan Jenn Kent (Tan's Elder Son)  
Tan Jenn Shyong (Tan's 2nd Son)  
Tan Jenn Lee (Tan's 3rd Son)

Family Role in Organization Structure
First Generation (1997-2001)

Comerlang Raya

Tan Ban Seng (M) Sdn Bhd
Tan Kim Chuan (One of the director)

Perusahaan Comerlang Raya

Directors-Founder
Yap Yi Lion (Managing Director-Administration)
Tan Kim Chuan (Director) Yap Chee Keong (Supervisor)

Second Generation (2002-2011)

Perusahaan Comerlang Raya Sdn Bhd

Yap Yi Lion (Managing Director-Administration)
Tan Kim Chuan (Director)
Yap Chee Keong (Store Supervisor)
Low Boon Seng (Factory Supervisor)

Rayaco Marketing (M) Sdn Bhd

Tan Kim Chuan (Director)
Yap Yi Lion (Director)
Tan Jenn Kent (Production and R&D)
Tan Jenn Shyong (Export)
Tan Jenn Lee (Marketing)
Brief History:
- Started as an imported goods merchant at Jalan Ampang (Kuala Lumpur) in 1929.
- The founder's ancestor came from China, Fujian, establishing Chop Sweetco.
- After World War II, Chop Sweetco changed the business nature as sole agent to distribute European-made products from Holland and England (1945-1949).
- Set up another branch in Jalan Sultan, KL, to deal with PVC canvas, plastic hand bag, and stationery file in 1970 during the second generation.
- Ng Wei Yew diversified into a PVC canvas manufacturer (1974), palm oil, and rubber plantation (1978) and Malaysia PVC floor mat (1983) in the third generation.
- However, Sweetco tends to remain small-scale since the next generation is not interested in joining the family business.
- Knowledge gained from merchant experience to plastic canvas production and matting in Malaysia, pioneer in plastic mats production.

Family Tree:

Chop Sweetco was established  Sweetco Enterprise was established

Ng Chen Dao (Founder of 1st Generation)  Ng Wei Yew
Ng Dai Jun (Founder's first son)  Ng Wei Chow
Ng Wei Shim (Son of Ng Dai Jun)


The establishment of Sweetco Enterprise and partnership business

Ng Wei Yew (3rd Generation CEO)  Ng Li Lian (3rd Generation daughter)
857,974 shares  20,000 shares

Yin Yik Chin  Ng Kong Long
(CEO's wife)  (3rd Generation son)
62,503 shares  79,000 shares

Family Roles in Organization Structure:

Chop Sweetco
- Ng Chen Dao & Ng Dai Jun (Business Owner)

Sweetco Enterprise
- Ng Wei Yew (Director 1)
- Ng Wei Chow (Director 2)
- Ng Wei Shim (Director 3)


Sweetco Industrial & Investment
- Ng Wei Yew & Yin Yik Chin (Company Director)

Sweetco of Malaysia Products
- Ng Wei Yew (Group Mentor)
- Ng Li Lian & Ng Kong Long (Company Director)
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 Hau, 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. 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. This conforms Prias’ (1976) argument that economies of scale were not dependent on firm size, but on plant size. Fiore (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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12 Basu Plastic, Lee Hau and Lian Sing 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 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. The next generation, equipped with higher 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. To deal with growing domestic and international competition, these family SMEs used product

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13 SIP Resources, Polytec and Kamayum were prone to investing in machine upgrading but they did increase the number of employees to diversify their products particularly in their core products.

14 Swertico, Lee Hau and Centurylong 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 pioneer products in first generation.

15 In the third generation family firm, Swertico 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\textsuperscript{16}. 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\textsuperscript{17}. Minimizing conflict and maintaining harmony often resulted in delayed decision-making\textsuperscript{18}.

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

\textsuperscript{16} Ken Khor, Polytec Industries’s CEO, JS Chia, Kamajam’s CEO and JS Tan, Cemerlang’s CEO all indicated they were risk averse.

\textsuperscript{17} Lee Huat Plastic and Sweeto, in third generation, had siblings and cousins involved in the SMEs and convened more regularly board meetings.

\textsuperscript{18} Interviews with fourth generation, Carlynn 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 and Iskandar Malaysia; (c) Polymin 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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19 AFTA (Asian Free Trade Association), a trade bloc agreement by the Associations of Southeast Asian nations.
20 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)\(^2\). 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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\(^2\) With CE marking on a product, the producer declares that the 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. 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 Huit differed from other plastic SMEs as Lee Huit 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 Huit 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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22 The consultative plastic design centre led to the development of the Clover design. Halo + Agency separated from Lee Huit 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. 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 “Togetherness we clean better”. This helped them establish their

23 Tan Jern Shyeong, export manager from Cemerlang Raya, and Tan Loy 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\textsuperscript{24}, 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\textsuperscript{25}. 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\textsuperscript{26}.

\textsuperscript{24}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.

\textsuperscript{25}Kemajuan, Polyres, Guppy Plastic, Chang Huat and SKF 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 Samsung.

\textsuperscript{26}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 Ekonoor PVC floor mats after partnering with the Koreans and employing Mosano 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>
<thead>
<tr>
<th>SME’s Tacit Knowledge</th>
<th>Generational Change and Innovation Capacity</th>
<th>Strategy Management</th>
<th>Organizational Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>LSKP Resources (Large Scale Enterprise) (1974-2011)</td>
<td>First Generation Skill: Interpreted and adopted audio outsourcing technology to develop tacit knowledge. Top Down: Top management always lead the team to achieving world class standard in plastic technology. PUE: Opportunity to ideas and accepted technology advancement in audio visual parts accessories. Involvement: Mostly family members and started to incorporate professional management.</td>
<td>First Generation Strategy: Heavy focus on participation and finds suitable manager with good working experience in foreign companies such as Japan and European and US to implement change towards enterprise development.</td>
<td>First Generation Enterprise Development: Encouraged diversification from cottage industry to contract manufacturing by meeting product specifications in audio visual parts and accessories.</td>
</tr>
<tr>
<td>First Generation (Tacit Knowledge): E &amp; E production program</td>
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<td>(Create the concept)</td>
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<tr>
<td>Second Generation (Convert to qualify)</td>
<td>Second Generation Skill: Interpreted tacit knowledge differently based on education received in Nosei plastic injection molding technology. Top Down: Top management gives autonomy to professional managers to explore new and miscellaneous industries. PUE: Openness to creative ideas and engaged with ASEAN or Asia cluster industry such as AFTA. Involvement: Much family involvement, but focused on sustainability and performance oriented to achieve recognition.</td>
<td>Second Generation Strategy: Heavily involved in extending innovation capacity to develop tacit knowledge in order to suit with the formation of industrial cluster in Asia and regional integration such as AFTA and automotive cluster.</td>
<td>Second Generation Enterprise Development: Promoted knowledge-based enterprise and value added service solution to achieve license manufacturing warehouse in the Southeast Asia.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Innovation Capacity: AFTA and Business opportunities in E &amp; E special in audio visual parts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Enterprise Development)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>First Generation</td>
<td>First Generation</td>
<td>First Generation</td>
<td></td>
</tr>
<tr>
<td>---------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td><strong>Skill:</strong> Integrated tacit knowledge into reliable piping system in Malaysia.</td>
<td><strong>Strategy:</strong> Frequent family participation with sibling partnership to build the business networking with government or key project in local project and overseas project.</td>
<td><strong>Enterprise Development:</strong> Extended the production line from PVC piping system to the reliable plastic piping system aligned with new booming industry in the particular time frame.</td>
<td></td>
</tr>
<tr>
<td><strong>Top Down:</strong> Top management started to monitor the plastic production aligned with industry specification.</td>
<td><strong>Top Down:</strong> Autonomy given to managers to foster innovative ideas by exploring opportunities in the niche market.</td>
<td><strong>Enterprise Development:</strong> Promoted BBB trademark and upgraded quality and innovativeness to be an appointed commercial used in plastic piping industry.</td>
<td></td>
</tr>
<tr>
<td><strong>PUR:</strong> Openness to new technology to produce Bina approved PVC piping system.</td>
<td><strong>PUR:</strong> Openness to innovative ideas and adopted high technology machines to produce goods standards of piping system.</td>
<td><strong>Involvement:</strong> Mostly family but encouraged upcoming generation to involve in production engineering to conduct R &amp; D aligned with industry specification.</td>
<td></td>
</tr>
<tr>
<td><strong>Involvement:</strong> High family involvement and started to incorporate inter-ethnic business development in the government tender.</td>
<td><strong>Involvement:</strong> Mostly family but encouraged upcoming generation to involve in production engineering to conduct R &amp; D aligned with industry specification.</td>
<td><strong>Involvement:</strong> Mostly family but encouraged upcoming generation to involve in production engineering to conduct R &amp; D aligned with industry specification.</td>
<td></td>
</tr>
</tbody>
</table>

**Second Generation**

**(Convert to codify)**

**Skill:** Integrated tacit knowledge to seek new technology to produce reliable piping system.

**Enterprise Development:**

- Official commercial use of plastic piping products in different sector and export.
<table>
<thead>
<tr>
<th>A. Guppy Plastic (Medium Scale Enterprise) (1970-2011)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>First Generation</strong></td>
</tr>
<tr>
<td><strong>Tact knowledge</strong></td>
</tr>
<tr>
<td>- Plastic aquarium tanks in Goh rearing as own hobby</td>
</tr>
<tr>
<td>(Create the concept)</td>
</tr>
<tr>
<td>- Industry fit specification for the booming industry in particular timeframe</td>
</tr>
<tr>
<td><strong>Second Generation</strong></td>
</tr>
<tr>
<td><strong>Convert to qualify</strong></td>
</tr>
<tr>
<td>- Convert to be the one-stop service plastic solution in the particular industry</td>
</tr>
<tr>
<td>(Innovation Capacity)</td>
</tr>
<tr>
<td>- Diversified portfolio to provide in-depth service provider in cluster industries</td>
</tr>
<tr>
<td>(Enterprise Development)</td>
</tr>
<tr>
<td>- Created the niche market with production capabilities to fit with the internal and external environment</td>
</tr>
</tbody>
</table>

| **First Generation**                               |
| **Skill**                                           |
| - Interpreted tacit knowledge into fish rearing aquarium tank |
| **Top Down**                                        |
| - Top management leads the teams aligned with fish farm ventures |
| **FPI**                                             |
| - Openness to ideas, through ventured into plastic injection molding when faced the shortage materials to produce fish tank |
| **Involvement**                                     |
| - High family involvement within business partnership between Ng and Goh ownership |

| **Second Generation**                              |
| **Skill**                                           |
| - Interpreted tacit knowledge to seek advice from professional management by incorporating outsourcing |
| **Top Down**                                        |
| - Autonomy given to managers to foster innovative ideas in plastic solution |
| **FPI**                                             |
| - Openness to innovative ideas and adopted industry fit from household, office equipment, pets and medicine products |
| **Involvement**                                     |
| - Mostly family but encouraged outsourcing. However, younger generation family members are not keen to join the business |

| **First Generation**                               |
| **Strategy**                                        |
| - Frequent family participation with business partnership between Ng and Goh ownership with some interest in fish rearing and always a fish mover to venture into fish farm production |

| **First Generation**                               |
| **Enterprise Development**                         |
| - Extended the production line from plastic aquarium tank to Guppy plastic injection molding aligned with the booming industry in the particular timeframe |

| **Second Generation**                              |
| **Skill**                                           |
| - Extended innovation capacity to incorporate outsourcing and professional management to venture into different plastic production aligned with industry specification |

<p>| <strong>Second Generation</strong>                              |
| <strong>Enterprise Development</strong>                         |
| - Promoted Guppy plastic evolved from fish tank expertise as hobby based business to one-stop service solution in plastic production with subsidiaries located in Malaysia, China and USA |</p>
<table>
<thead>
<tr>
<th>First Generation</th>
<th>Second Generation</th>
<th>Enterprise Development</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Skill</strong></td>
<td>Interpreted tacit knowledge from plastic injection molding technology to develop new business sectors</td>
<td>Promoted knowledge-based enterprise and formed new strategic alliances with international companies</td>
</tr>
<tr>
<td><strong>Strategy</strong></td>
<td>Heavy family involvement and participation</td>
<td>Encouraged diversification from low-end component fabrication to higher-end technology production</td>
</tr>
<tr>
<td><strong>Involvement</strong></td>
<td>Mostly family involvement and implemented in-house training</td>
<td>Promoted the development of new technologies and products</td>
</tr>
<tr>
<td><strong>Creating the Concept</strong></td>
<td>- Make plastic injection molding technology more accessible to small and medium enterprises</td>
<td></td>
</tr>
<tr>
<td><strong>Enterprise Development</strong></td>
<td>- Established new business ventures in the electronics and semiconductor industry</td>
<td>- Promoted the development of new technologies and products</td>
</tr>
<tr>
<td><strong>Innovation Capacity</strong></td>
<td>- Port of Tanjung Pelepas (PTP) brought new business opportunities</td>
<td>- Encouraged diversification from low-end to high-end technology production</td>
</tr>
<tr>
<td><strong>Enterprise Development</strong></td>
<td>- Strategic location in Southeast Asia region in the shipping industry</td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**
- First Generation
  - Skill: Interpreted and adopted in-house plastic injection molding technology to develop new business opportunities.
  - Strategy: Heavy family involvement and participation in-house training to understand the plastic injection molding technology.
  - Involvement: Mostly family involvement and implemented in-house training where the family members had to be involved in on-job training from production until administrative work.

- Second Generation
  - Skill: Interpreted tacit knowledge from plastic injection molding technology to oil and gas bunkering services.
  - Strategy: Heavily involved in extended innovation capacity to venture into bunkering services for oil and gas industry after the disposal of the entire equity in Chung Hia Corporation Berhad to transform it core direction in oil and gas.
  - Involvement: Much family involvement, but assigned second son to be a company director who experience in oil and gas industry.
  - Enterprise Development: Promoted knowledge-based enterprise and formed new strategic alliances with international companies to mitigate the large loss in the company annual return from the unprofitable plastic production.
<table>
<thead>
<tr>
<th>Generation</th>
<th>Strategy</th>
<th>Enterprise Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Generation</td>
<td>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.</td>
<td>Extends production line from plastic aquarium tanks to office equipment and semiconductor industry due to the booming industry in the particular timeframe based on tacit knowledge.</td>
</tr>
<tr>
<td>Second Generation</td>
<td>Frequent family participation within founder’s family members usually lead the family business towards quality plastic ware manufacturer to attract foreign investment as appointed free gifts manufacturer with local MNCs ranges from food and beverages to medicine group.</td>
<td>Extends production line from plastic food container to plastic drinking set (household division), from office equipment to bathroom accessories (interior design division) and from premium free gifts to complementary goods (premium gifts division).</td>
</tr>
<tr>
<td>Third Generation</td>
<td>Frequent family participation among Gen-X and Gen-Y and allowed the upcoming generation establish their own enterprise based on their education received and personal interest. More towards flexible organization and provide customized service.</td>
<td>Extends production line from product based plastic houseware manufacturer to service based consultant in design concept of innovative plastic utensils.</td>
</tr>
<tr>
<td>Generation</td>
<td>Skill</td>
<td>Strategy</td>
</tr>
<tr>
<td>------------</td>
<td>-------</td>
<td>----------</td>
</tr>
<tr>
<td>First</td>
<td>Interpreted task knowledge aligned with existing technology after adaptation from professional skill in engineering.</td>
<td>Compulsory to involve family involvement and developed solid business networking with surrounding MNCs in electronic sector located at Foshan. Staffs who had rich experience in business networking promoted at the top position.</td>
</tr>
<tr>
<td>Second</td>
<td>Interpreted experience from founder and passed skills across generations from in-house production to the virtual R &amp; D.</td>
<td>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.</td>
</tr>
</tbody>
</table>

**Enterprises**:

<table>
<thead>
<tr>
<th>Enterprise</th>
<th>(Small Scale Enterprise) (1977-2011)</th>
</tr>
</thead>
</table>

**Second Generation**

- Convert to qualify
- Convert knowledge into plastic injection moulding embedded with wire assembly and harness

**Second Generation**

- Innovation Capacity
- Convert knowledge to explore innovation capacity in virtual R & D in renewable energy or energy saving

**Second Generation**

- Enterprise Development
- Collaboration project to build globalized virtual R & D by producing renewable energy plastic injection moulding products
<table>
<thead>
<tr>
<th>Lam Seng Plastic</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Medium Scale Enterprise)</td>
</tr>
<tr>
<td>(1967-2011)</td>
</tr>
</tbody>
</table>

**First Generation**

**Skill**: Interprets tacit knowledge in line with wholesale experience in industrial chemical and essential oil.

**Top Down**: Top management leads teams aligned with wholesalers in all kinds of industrial chemicals to be used in different sector.

**Fu**: Openness to ideas through acceptance of technology to diversity from industrial chemical to plastic injection molding in household products.

**Involvement**: High family involvement and they are the huge difference of job tasks between family members and non-family members.

**Enterprise Development**: Extended production line from industrial chemical to Winner trademark of plastic injection molding.

<table>
<thead>
<tr>
<th>Second Generation</th>
</tr>
</thead>
</table>

**Second Generation**

**Skill**: Interprets tacit knowledge to upgrade plastic technology from light industry into heavy industry until palm oil cultivation.

**Top Down**: Autonomy given to managers to foster innovative ideas and more focused on performance oriented.

**Fu**: Openness to innovative ideas and adopted better technology from plastic injection, blow molding to silk printing.

**Involvement**: Mostly family but encouraged upcoming generation to involve in production to conduct R & D in knowledge intensive industries.

**Enterprise Development**: Promoted brand reputation of Winner trademark and established other subsidiaries in palm oil cultivation and toothbrush production to achieve build on reputation.
<table>
<thead>
<tr>
<th>Generation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Generation</td>
<td><strong>Skill:</strong> Interpreted tacit knowledge in line with metal fabrication targeted MNCs in the electronic sector. <strong>Top Down:</strong> Management teams aligned with the MNCs' orders and experienced managers usually placed at the top position. <strong>PUT:</strong> Openness to ideas, though accepted new technology to increase production capabilities promoted delivery to local MNCs. <strong>Involvement:</strong> High family involvement, business partnership between Chia and Chan family members, where Chia oversees external operation and Chan oversees internal operation.</td>
</tr>
<tr>
<td>Second Generation</td>
<td><strong>Skill:</strong> Interpreted tacit knowledge to upgrade from metal fabrication to plastic packaging technology. <strong>Top Down:</strong> Authority given to managers to foster innovative ideas to handle overseas manufacturing plants in Thailand and Casablanca subsidiaries. <strong>PUT:</strong> Openness to innovative ideas and adopted in-house R&amp;D in carrier tape technology to achieve recognition in Southeast Asia. <strong>Involvement:</strong> Mostly family members to be recruited as department managers, Chia family mostly involved in external operation (sales, marketing, purchasing), and internal operation (accounting, financial control, quality control).</td>
</tr>
<tr>
<td>First Generation</td>
<td><strong>Strategy:</strong> Frequent family participation between Chia and Chan partnership business and developed strong business networking with local MNCs in the electronic sector. Meanwhile, developed inter-ethic network to invite Runsheng's director involvement with strong background in the government affairs.</td>
</tr>
<tr>
<td>Second Generation</td>
<td><strong>Strategy:</strong> Involved in extended business by promoting in-house R&amp;D in carrier tape technology to explore more business opportunities and meet the standard requirement from local MNCs such as Toshiba, Hitachi, and ST. Microelectronics.</td>
</tr>
<tr>
<td>First Generation</td>
<td><strong>Enterprise Development:</strong> Extended production line from metal fabrication to plastic injection molding particularly in chips and electronic plastic packaging.</td>
</tr>
<tr>
<td>Second Generation</td>
<td><strong>Enterprise Development:</strong> Promoted build on reputation and put Kemin as one-stop service solution to electronic packaging components focused on electronic and semiconductor industry.</td>
</tr>
<tr>
<td><strong>First Generation</strong></td>
<td><strong>First Generation</strong></td>
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<tr>
<td>---------------------</td>
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</tr>
<tr>
<td><strong>Recipient</strong></td>
<td><strong>Skill</strong></td>
</tr>
<tr>
<td>Nyeo Lee</td>
<td>Interpreted tacit knowledge aligned with knowledge transfer in the broom production.</td>
</tr>
<tr>
<td><strong>Context</strong></td>
<td><strong>Top Down</strong></td>
</tr>
<tr>
<td>Small Scale Enterprise (1970-2000)</td>
<td>Top management usually performed cottage industry with no proper organization structure.</td>
</tr>
<tr>
<td><strong>Conversion</strong></td>
<td><strong>PUI</strong></td>
</tr>
<tr>
<td>Tacit knowledge</td>
<td>Openness to ideas, mainly produced different broom products to capture bigger market.</td>
</tr>
<tr>
<td>Knowledge transfer from founder's father and relatives in brooms making</td>
<td></td>
</tr>
<tr>
<td><strong>(Create the Concept)</strong></td>
<td></td>
</tr>
<tr>
<td>Create the brush expert concept to turn brooms and brushes into value added products</td>
<td></td>
</tr>
<tr>
<td><strong>Second Generation</strong></td>
<td><strong>Second Generation</strong></td>
</tr>
<tr>
<td><strong>Recipient</strong></td>
<td><strong>Skill</strong></td>
</tr>
<tr>
<td>Nyeo Lee</td>
<td>Interpreted experience from founder and passes skills across generations from family owned to the brush expert enterprise.</td>
</tr>
<tr>
<td><strong>Context</strong></td>
<td><strong>Top Down</strong></td>
</tr>
<tr>
<td>Small Scale Enterprise (1970-2000)</td>
<td>Top management replaced with young educated staff equipped with MBA background. PUI: Openness to ideas, mainly to upgrade career development within staffs and ventured into different industry.</td>
</tr>
<tr>
<td><strong>Conversion</strong></td>
<td><strong>PUI</strong></td>
</tr>
<tr>
<td>Tacit knowledge</td>
<td>Openness to ideas, mainly to upgrade career development within staffs and ventured into different industry.</td>
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<tr>
<td>Knowledge transfer from founder and passes skills across generations from family owned to the brush expert enterprise.</td>
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<td><strong>Recipient</strong></td>
<td><strong>Skill</strong></td>
</tr>
<tr>
<td>Nyeo Lee</td>
<td></td>
</tr>
<tr>
<td><strong>Context</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Conversion</strong></td>
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<td><strong>Second Generation</strong></td>
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</tr>
<tr>
<td><strong>Recipient</strong></td>
<td><strong>Skill</strong></td>
</tr>
<tr>
<td>Nyeo Lee</td>
<td></td>
</tr>
<tr>
<td><strong>Context</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Conversion</strong></td>
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<td>Tacit knowledge</td>
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<tr>
<td>Knowledge transfer from founder and passes skills across generations from family owned to the brush expert enterprise.</td>
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<tr>
<td><strong>(Create the Concept)</strong></td>
<td></td>
</tr>
<tr>
<td>Create the brush expert concept to turn brooms and brushes into value added products</td>
<td></td>
</tr>
<tr>
<td>First Generation</td>
<td>First Generation</td>
</tr>
<tr>
<td>------------------</td>
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</tr>
<tr>
<td><strong>Skill:</strong> Integrated tacit knowledge aligned with hardware trading experience later ventured into broom production.</td>
<td></td>
</tr>
<tr>
<td><strong>Top Down:</strong> Top management usually under founder's leadership where founder's wife and brother in law always placed at the top position.</td>
<td></td>
</tr>
<tr>
<td><strong>Involvement:</strong> High family involvement and founder performed in sales and marketing where the brother in law involved in the production to protect tacit knowledge.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Second Generation</th>
<th>Second Generation</th>
<th>Second Generation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Skill:</strong> Interpreted experience from founder and passed skills across generations to create cleaning concept of Rayaco products.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Strategy:</strong> Involved in extended innovation capacity by focusing R &amp; D in Rayaco cleaning products based on current production trend and captured export trading.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Enterprise Development:</strong> Less likely added to production facility but focused on rebranding or strategizing to put Rayaco as famous concept based cleaning products enterprise aligned with &quot;together we clean better&quot;.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Enterprise (Small Scale Enterprise)</th>
<th>Enterprise (Small Scale Enterprise)</th>
<th>Enterprise (Small Scale Enterprise)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>First Generation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>(Tacit knowledge)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Wholesales experience to distribute China hardware products to the retail shop</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>(Create the concept)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Broom manufacturer to target business networking with previous hardware merchants</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Second Generation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(Convert to codify)</strong></td>
</tr>
<tr>
<td>- Convert knowledge to design and create cleaning concept of Rayaco brand of cleaning products</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Second Generation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(Innovation Capacity)</strong></td>
</tr>
<tr>
<td>- Tacit knowledge categorized Rayaco products into brooms series, brushes series and household series</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Second Generation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(Enterprise Development)</strong></td>
</tr>
</tbody>
</table>
| - Provide (New-2 newly) family enterprise focus on new concept of cleaning products and explore export capacity.
<table>
<thead>
<tr>
<th>Generation</th>
<th>Skills</th>
<th>Strategy</th>
<th>Enterprise Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>Interpreted their knowledge aligned with sole agent experience in imported goods.</td>
<td>Compulsory to involve family members to work in the company as sole agent or local distributor for imported products accompanied with money transfer service.</td>
<td>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.</td>
</tr>
<tr>
<td>Second</td>
<td>Interpreted experience from founder and passes skills across generation from wholesalers to PVC canvas production.</td>
<td>Involved in extended innovation capacity to be a sole agent to distribute the PVC canvas and PVC floor mats imported from Asian and European later mastering the knowledge and produced own brand of PVC related products.</td>
<td>Less likely to add production facilities but focuses on rebranding or restructurizing business to match with latest market requirement to produce high quality of PVC products and PVC floor mats.</td>
</tr>
<tr>
<td>Third</td>
<td>Interpreted experience from second generation and passes skills across generation to form partnership with foreign investor to produce Maslingo PVC floor mats.</td>
<td>Involved in extended innovation capacity by producing Malaysian PE Canvas products and “Ekosor” floor mats products to promote Malaysia production to enter export trading.</td>
<td>More likely to add production facilities and focus on rebranding or restructurizing business split into manufacturing, property investment, plantation, logistic and marketing under centralised management.</td>
</tr>
</tbody>
</table>

**Notes:**
- First Generation: To be the sole distributor of imported goods in Malaysia.
- Second Generation: To convert to codify business experience from Asia and Europe and hence produce PVC related products.
- Third Generation: To develop diversified business activities from manufacturing to investment.
Table 4.6 indicates that the next generation had collaborated with selected foreign MNCs as 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 retain 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 collaborating with local MNCs. A majority of them diversified into different business activities to retain their large customer base, each with different new projects. This led to the adoption of strategies such as: (a) extending innovation capacity by promoting R&D to innovate their new products; (b) extending innovation capacity to 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 Eurolence 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 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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27 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 collaborating 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.\(^{28}\)

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

\(^{28}\) During an interview conducted on 23.09.2011 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 YLIS 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. 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.

\[29\] For the study of family involvement in SMEs, see Ward (1998), Harris et al. (1994) and Gersick et al. (1997). For the case of Malaysian, see Gomez (2007)
However, the extended innovation requires the founder to have assigned autonomy to the next generation, giving said firms a competitive edge. 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. 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.

30 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).

Descendant-controlled firms were more professionally run that 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. 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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31 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 (Fu Yan Sang), develop R&D in food technology to produce export-based products in the biscuits industry (Tatua) 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).

![Bar chart showing the number of family enterprises across generations](image)

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.\(^{32}\)

\(^{32}\)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. 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. 3rd 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 3rd generation firms for example Ghee Hiang and Khong Guan.

consumption behaviour, particularly the growing demand for convenience food.

35 Interviews were conducted with senior management or family members of food production firms. Tataro Industries mentioned R&D in food technologies to develop new products such as Japanese mooncakes and Tianje mooncakes (interview on 19.10.2011). Bestonec 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

<table>
<thead>
<tr>
<th>Family Enterprises/ Business Nature</th>
<th>Year incorporated / Generation</th>
<th>Annual Sales (RM million)</th>
<th>Number of Employees</th>
<th>Number of Family Members</th>
<th>Number of Managers</th>
<th>Number of Branches / Outlets</th>
<th>Number of Equipment</th>
<th>Number of New Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Eu Yen Sang (Chinese Herbs)</td>
<td>1842 / 3rd</td>
<td>1-500</td>
<td>30-600</td>
<td>20-100</td>
<td>3-50</td>
<td>1-200</td>
<td>1-179</td>
<td>+150</td>
</tr>
<tr>
<td>2. Khong Guan (Biscuits)</td>
<td>1937 / 3rd</td>
<td>2-330</td>
<td>25-450</td>
<td>10-130</td>
<td>5-28</td>
<td>1-21</td>
<td>2-185</td>
<td>+80</td>
</tr>
<tr>
<td>3. Loo Hon Biscuit (Biscuits)</td>
<td>1994 / 2nd</td>
<td>10-100</td>
<td>50-470</td>
<td>5-40</td>
<td>5-40</td>
<td>1-5</td>
<td>2-50</td>
<td>+60</td>
</tr>
<tr>
<td>4. Tatiwa (Biscuits)</td>
<td>1981 / 2nd</td>
<td>5-39</td>
<td>20-200</td>
<td>6-50</td>
<td>4-40</td>
<td>1-2</td>
<td>1-30</td>
<td>+50</td>
</tr>
<tr>
<td>5. Laksmanah Usaha (Noodles)</td>
<td>1975 / 2nd</td>
<td>1-30</td>
<td>10-120</td>
<td>8-40</td>
<td>2-10</td>
<td>0</td>
<td>2-20</td>
<td>+30</td>
</tr>
<tr>
<td>6. TPC Plus (Eggs)</td>
<td>1976 / 2nd</td>
<td>5-28</td>
<td>20-330</td>
<td>5-35</td>
<td>2-8</td>
<td>0</td>
<td>2-18</td>
<td>+5</td>
</tr>
<tr>
<td>7. Vit Malamano (Noodles)</td>
<td>1975 / 2nd</td>
<td>2-35</td>
<td>15-300</td>
<td>8-67</td>
<td>2-10</td>
<td>0</td>
<td>8-170</td>
<td>+30</td>
</tr>
<tr>
<td>8. Besfomee (Chinese herbs)</td>
<td>1948 / 3rd</td>
<td>1-20</td>
<td>8-180</td>
<td>8-60</td>
<td>3-11</td>
<td>1-3</td>
<td>2-45</td>
<td>+40</td>
</tr>
<tr>
<td>11. Chai Hiong (Sesame oil &amp; biscuits)</td>
<td>1865 / 3rd</td>
<td>0.5-18</td>
<td>8-105</td>
<td>20-55</td>
<td>2-10</td>
<td>1-3</td>
<td>3-20</td>
<td>+40</td>
</tr>
<tr>
<td>12. Kiam Tim (Soy sauce)</td>
<td>1970 / 2nd</td>
<td>1-15</td>
<td>30-50</td>
<td>10-35</td>
<td>1-7</td>
<td>1-3</td>
<td>5-15</td>
<td>+47</td>
</tr>
<tr>
<td>13. KLJ Food (Restaurant)</td>
<td>1972 / 2nd</td>
<td>1-8</td>
<td>5-100</td>
<td>8-58</td>
<td>3-20</td>
<td>1-6</td>
<td>1-10</td>
<td>+25</td>
</tr>
<tr>
<td>14. Red Horse (Cordials)</td>
<td>1964 / 2nd</td>
<td>0.3-8</td>
<td>6-100</td>
<td>10-18</td>
<td>2-5</td>
<td>1-3</td>
<td>3-12</td>
<td>+20</td>
</tr>
<tr>
<td>15. Hai Hung (Coffee)</td>
<td>1975 / 2nd</td>
<td>0.7-6</td>
<td>10-30</td>
<td>8-15</td>
<td>2-7</td>
<td>1-2</td>
<td>2-30</td>
<td>+30</td>
</tr>
<tr>
<td>16. Eng Hup Seng (Sesame oil)</td>
<td>1987 / 2nd</td>
<td>0.2-5</td>
<td>5-25</td>
<td>3-10</td>
<td>2-7</td>
<td>0</td>
<td>2-38</td>
<td>+33</td>
</tr>
<tr>
<td>17. Regent Food (Peanuts)</td>
<td>1981 / 2nd</td>
<td>0.2-4</td>
<td>5-50</td>
<td>6-10</td>
<td>2-5</td>
<td>0</td>
<td>2-8</td>
<td>+19</td>
</tr>
</tbody>
</table>

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. 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.

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54 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.

55 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>
<thead>
<tr>
<th>Business Nature</th>
<th>Establishment</th>
<th>Brief History</th>
<th>Family Tree</th>
<th>Family Role in Organizational Structure</th>
</tr>
</thead>
</table>
| Eu Yan Sang | 1837-2011 (3rd Generation) | - Founded: established Eu Yan Sang Medical shop (Kapitan, Perak) in 1879.  
- During second generation, Eu Tang Sang inherited the family business as eldest son.  
- Firm flourished and expanded rapidly within Malaya (1905), into Hong Kong (1909), Singapore (1910), China (1920); established Eu Yan Sang name in 1937.  
- Knowledge handed down from Chinese herbs trading to hosting treatments by establishing retail shop, TCM products and clinics. | Early establishment of Yan Sang medical shop  
Eu Kong (Founder)  
Son of Eu Kong  
Eu Yan Sang (Singapore)  
Eu Yan Sang (Malaysia)  
*Andrew Eu (1937)  
Children of Andrew Eu | Eu Yan Sang Medical Hall  
Eu Kong (Founder)  
Eu Yan Sang Holding Bhd.  
Eu Yan Sang International Ltd  
Eu Yan Sang Corporation |
| First Generation (1842-1890) | | | | Eu Yan Sang Medical Hall  
Eu Kong (Founder)  
Eu Yan Sang Holding Bhd.  
Eu Yan Sang International Ltd  
Eu Yan Sang Corporation |
| Second Generation (1890-1941) | | | | Eu Yan Sang Medical Hall  
Eu Kong (Founder)  
Eu Yan Sang Holding Bhd.  
Eu Yan Sang International Ltd  
Eu Yan Sang Corporation |
Eu Kong (Founder)  
Eu Yan Sang Holding Bhd.  
Eu Yan Sang International Ltd  
Eu Yan Sang Corporation |
Eu Kong (Founder)  
Eu Yan Sang Holding Bhd.  
Eu Yan Sang International Ltd  
Eu Yan Sang Corporation |
2. Khong Guan
(Large Scale Enterprise)
(Ready to Eat Products)
(Biscuits)

Product Manufacturer
First Generation (1937-1958)
Biscuits supplied to sundry shops and biscuits kept in metal tins.

Second Generation (1959-1988)
Assorted biscuits manufactured using new flour milling technology.

Third Generation (1989-2011)
Aims to become second most popular biscuit brand in China due to the taste suitability and growing brand recognition.

Biscuits products to enter US and European private labelling.

New product development involving crackers and snacks shifted from western market to Japanese and Korean markets.

Brief History
- Founder started out as a tramsie in a biscuit factory owned by Tan Kah Kee. Worked in Ipoh from 1942 to 1949. Founder worked in a rubber factory (1938), soap factory (1939), coconut oil and charcoal trader (1940) and rice and soft trading (1942).
- Started his wife, named as a chemist, and brother, Chew Choo Han, an engineer, to open Khong Guan Biscuit factory in Paya Lebar, Singapore with 200 workers (1950);

Khong Guan opened factories in Singapore (1959), Butterworth (1954), Seremban (1959), Kota Bharu (1960). Exported to Hong Kong and UAE.

In the second generation, Khong Guan ventured into flour milling (1960), Tangerang Mill (1964), boosted capacity (1970) and listed on Malaysia stock exchange (1972).

Khong Guan signed an agreement with Australian Arnotts biscuits to gain access to a production formula (1974). Begun 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 Malaysia Flour Mill.

In third generation, Khong Guan shifted to investment holding and condominium projects (1980), diversified into related industries: cocoa beans, corn flours (1980) and become the second most popular brand in China (1993).

Family Tree
First Generation (1937-1958)
- Not a sibling
- 4th brother, Chew Choo Keng

5 wives, 23 children

Second Generation (1959-1988) (Chew Choo Keng's Sons)

- Chew Sow Liang (1960 shares in Biscuit)
- Chew Sow Eng (20,000 shares in Tang Kian & Siong Chin)
- Chew Sow Siew Ling (400 shares in Khong Guan)
- Chew Sow Leng (400 shares in Khong Guan)
- Chew Sow Leong (400 shares in Khong Guan)

Third Generation (1989-2011) (Chew Kei and Chew Han's Grandsons)

- Chew Sow Leong (1960 shares in Biscuit)

Family Role in Organization Structure
First Generation (1937-1958)
Second Generation (1959-1988)

Khong Guan
Khong Guan Holdings Berhad

Chew Sow Leong (Founder)
Chew Sow Leong (Manager)
Chew Sow Leong (Khong Guan)

Chew Sow Lin (Director - Corporate
Chew Sow Leong (Director - Admin
Chew Sow Leong (Director - Legal)
Chew Sow Leong (Manager - 1)
Chew Sow Leong (Manager - 2)

Khong Guan Group of Companies

Khong Guan of Companies

Khong Guan Holdings Berhad

Chew Sow Leong (Founder)
Chew Sow Leong (Manager)
Chew Sow Leong (Khong Guan)

Chew Sow Lin (Director - Corporate
Chew Sow Leong (Director - Admin
Chew Sow Leong (Director - Legal)
Chew Sow Leong (Manager - 1)
Chew Sow Leong (Manager - 2)

Khong Guan Group of Companies

Khong Guan of Companies

Khong Guan Holdings Berhad

Chew Sow Leong (Founder)
Chew Sow Leong (Manager)
Chew Sow Leong (Khong Guan)

Chew Sow Lin (Director - Corporate
Chew Sow Leong (Director - Admin
Chew Sow Leong (Director - Legal)
Chew Sow Leong (Manager - 1)
Chew Sow Leong (Manager - 2)

Khong Guan Group of Companies

Khong Guan of Companies

Khong Guan Holdings Berhad

Chew Sow Leong (Founder)
Chew Sow Leong (Manager)
Chew Sow Leong (Khong Guan)

Chew Sow Lin (Director - Corporate
Chew Sow Leong (Director - Admin
Chew Sow Leong (Director - Legal)
Chew Sow Leong (Manager - 1)
Chew Sow Leong (Manager - 2)
3. London Biscuit
   (Large Scale Enterprise)
   (Ready to Eat Products)
   (Biscuits)

Product Manufacturer
Family business in timber industry,
Dealing with construction and
Furniture trading.

Corn-based snacks and biscuits cup
products with different flavors

Second Generation (2001-2008)
Disney character licensing in
London Swiss roll to penetrate
Southeast Asian market

Initial certificate for Mina brand
biscuits series to enter UAE market

Khoo Sin 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
(2nd Generation)

Brief History

- Started out as a family timber business.
- Founder transformed the timber business to a food producer after acquiring
- Purchased first factory producing cup biscuits (1991), second factory - pre-cooks
1998, third & fourth factories-Steven roll (2000). Acquired the best enterprise and
- During second generation, sons and daughters rebuilt automated warehouse and
installed robotic arm to achieve export award (2005); acquired Kunch Food-pre
sales - to obtain Disney character licensing (2005); acquired 25% stake in Lay
Hing Berhad-poultry farming (2006); acquired Khoo Sin Berhad-largest candy
manufacturer (2007).
- Later, acquired MRP System (2008) and installed twist wrap packaging
machine (2009) and launched potato chips in snack category (2010).
- Aimed to be the biggest capacity cake line in Malaysia and Southeast Asia: Acquired
IPC Plus-bigger of McDonalds (Malaysia) appointed eggs producer
Has become biggest roll cake products producer, through acquisition.

Family Tree
First Generation (1994-2000)
* Not involved

Data Liew Yew Chong (Founder)
230 shares

Data Liew Yew Lee (Sister)
1,381,785 shares

Liew Han Ling (Founder's sister-in-law)

Second Generation (2001-2011) (Liew Yew Chong's Children)

Data Liew Yew Chong (1st son)
1,381,785 shares

Data Liew Yew Lee (2nd son)
75,224 shares

Liew Yew Meii (1st daughter)
29,071 shares

Family Role in Organization Structure
First Generation (1994-2000)

London Biscuits

London Biscuits Sdn Bhd

Second Generation (2001-2011)

London Biscuits Berhad

Directors
Data Liew Yew Chong
Data Liew Yew Lee

London Biscuits Sdn Bhd

Data Liew Yew Chong (Director)
Data Liew Yew Lee (Director)

London Biscuits Berhad

Directors
Data Liew Yew Chong
Data Liew Yew Lee

London Biscuits Group of Companies

Professional Managers
#Leh Choon Kooi (Senior Sales)
#Andrew Yuen (Business Dev)
#Wai Kian See (Operation)
#Wing Soo Lim (Purchasing)
#Koh Lee Hua (Sales & Marketing)

Koh Lee Hua (Sales & Marketing)

Non-family members
4. Tatawa
(Medium Scale Enterprise)
(Ready to Eat Products)
(Biscuits)

Product Manufacturer
First Generation (1994-2011)

Traditional "Yong Sheng" wedding cakes and delicious rice dumpling patries house.

Privious labelling ranges from domestic to (Southeast Asia, UAE & Europe) marketplace.

Second Generation (2001-2011)

Tianje mooncake adopted from previous experience, popular among Japanese customers.

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

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

1841-2011
(2nd Generation)

Brief History

Began as a traditional biscuit manufacturer in 1952.
Moved from home-based business and received orders from Japanese customers (1960) and established Tianje biscuit industries in 1964.
During second generation, the founder brought in his nephew and niece, involved into development of Western cookies combined with Southeast Asian flavor such as Pineapple Cookies and Raisin & Chocolate Chip Cookies. Won the "Gold" Medal award (2000), Best Trade Name (2001) and the best 50 Enterprises (2004, 2005, 2006, 2007, 2008). Tatwa also won Golden Bull Award (2004) and the "Industry Excellence Award" (2008) for outstanding achievement in export trading up to 40 countries.
The second generation with rich marketing background continued to dominate at shopping malls, established food technology department (2009), ventured into Japanese Tianje mooncake (2008) and healthy bars and snacks (2010).
Knowledge has been preserved from traditional biscuit production to private labelling for export trading adapted with Japanese technology.

Family Tree
First Generation (1994-2000)

Founder established Tatawa

Second Generation (2001-2011)

Tatawa Biscuits

Family Role in Organization Structure
First Generation (1994-2000)

Tatawa Biscuits Industries

Second Generation (2001-2011)

Tianje Mooncakes

Tatawa Industries (M) Sdn Bhd
(Domestic and International)

Yong Shing Confectionary

Tatawa Biscuits (Biscuit-based)

Directors from Yong Shing
Ng Swee Ann (Chairman)
Ng Swee Hua (Director)
Ng Swie Hwee (Director)

Director of Marketing & Promotion
Ng Swee Hua

Assistant-Domestic Market
Ng Swee Hua

Assistant - International Market
Ng Swee Hua

Yap Lin Meet

Managing Director

Ngee Hua

Marketing Manager

Yap Lin Meet
### Brief History

- **1977-2011**
  - 2nd Generation
  - 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 Azan Sultan 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 Carottes Oil production (1980) to produce healthy baklava from 50 to 120 new products.
  - During the second generation, youngest son, LH Wong joined the business and expanded from 25 to 50 outlets, became the largest retail konbi e;ehin chain (1993) 4 outlets in Bangladesh (2003). Introduced Pak Haliah Café (2004), frozen food (2004), muffins to lightery (2005) and sauces (2005). 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

**Elderly Wong opened Kopitiam stall in Rawang**

**Wong Yoke Khim (1st Daughter)**

**Eng Man Hin (Son-in-Law)**

Second Generation (2005-2011)

- Opens outlets in Dhaka, Bangladesh to target Indian market
- Highlights the tradition of Pak Haliah Kopitiam lifestyle café
- Private labelling such as muffin (Firstly) and sauce (Ayamas)

## King’s Confectionery Snr Bhd

### King’s Group of Companies

#### Director
- Wong Lee Hoy (Sales and Marketing)
- Eng Man Hin (Director-Finance)
- Wong Yoke Chin (Production and Marketing)
- Wong Nyok Choo (R & D, Decoration and Renovation)

#### King’s Confectionery Snr Bhd

- Wong Yoke Khim (Director-Admin)
- Eng Man Hin (Director-Finance)

#### Second Generation (2005-2011)

- Director
  - Wong Lee Hoy
  - Eng Man Hin
  - Wong Yoke Chin
  - Wong Nyok Choo

#### Pak Haliah Kopitiam

- Director
  - Wong Lee Hoy
  - Eng Man Hin
  - Wong Yoke Chin
  - Wong Nyok Choo

### Second Generation (2003-2011)

- Wong Lee Thong (2nd Brother) 972,000 shares
- Eng Man Hin (Son in Law) 315,000 shares
- Wong Nyok Choo (4th Sister) 315,000 shares

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

- 2nd Generation
- 3rd Generation

- **Not involved**
- **Resigned**

- **Wong Yoke Khim (1st Daughter)**
- **Eng Man Hin (Son in Law)**
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 Jia An noodles manufacturing by implementing rice washing, cutting and mixing process (1982).
- Upgraded to Laksanana 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 harder centers and markets.
- During the second generation, founder trained his children from personal help to manager and moved to new premises in Bukit Mertajam (2005), developed 3 new products (“Yee Mee” and “Laksan”) (1998), food ingredients (Chili Bob and Bean Curd) (2000) and Vermicelli (2002).
- 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)
- Founder opened home-based noodles making in Ampang, KL.
- Founder of Children:
  - Tan Tiong Hor (Founder) (1st Son) (100,000 shares)
  - Tan Poh Yee (2nd Son) (100,000 shares)
  - Tan Poh Mo (3rd Daughter) (100,000 shares)

Second Generation (1991-2011)
- Tan Tiong Hor (Founder) (1st Son) (100,000 shares)
- Tan Poh Yee (2nd Son) (100,000 shares)
- Tan Tiong Mo (3rd Daughter) (100,000 shares)

Family Role in Organization Structure

First Generation (1975-1990)
- Ampang Home Based Noodles
  - Tan Tiong Hor (Founder)
  - Jia An Noodles Manufacturing
  - Founder’s children (helped)
    - Tan Tiong Mo
    - Tan Poh Yie

Second Generation (1991-2011)
- Laksanana Usaha Technology
  - Director-Family Members
    - Tan Tiong Hor
    - (Director-Managing Director)
    - Tan Poh Yee
    - (Director-Sales and Marketing)
    - Tan Poh Mo
    - (Director-Sales and Marketing)
    - Tan Tiong Mo
    - (Director-Institutional Marketing)
  - Director-Non Family Members
    - Tan Tiong Hor
    - (Director-Production)
    - Tan Tiong Mo
    - (Director-Halal Market)
7. TPC Plus
(Large Scale Enterprise)
(Ready to Cook Products)
(Chicken)

Product Manufacturer
First Generation (1976-1998)
Owned traditional poultry chicken farming to produce eggs and chicken to distribute nearby

1976-2011
(2nd Generation)

Brief History
- Started from poultry chicken farming to sell to Tanah Merah, Melaka until 1976
- Yee brothers managed the poultry farm and distributed eggs to nearby shops (1975). Later, eggs production increased to 3000 daily and they started to modernize the poultry farming (1980).
- Established Teck Ping Chan Agriculture Sdn Bhd (1976) and adopted technology from Italy, USA and Holland (1976). They later employed both Lung Ah Liat and Joo Chan, graduates from Taiwan-based Agricultural University to produce lower cholesterol omega eggs (1982) and supply it to Malaysian 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 MAHAD. Singapore agriculture department and USA FDA to make sure the egg are 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 90,000 eggs daily. However, the third generation was not interested in managing the poultry farm as Yee brothers decided to sell poultry farming to their main customer, London Biscuits Bhd in 2007. Yee brothers later established Maple Leaf organic food, distilling 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 (1976-1998)

Yee brothers own the land in Batu Kawan and dealt with poultry farming

Second Generation (2007-2011)
(LBB owned biggest shareholder, 23.018,000)

Liew Family Members
(London Biscuits Berhad - LBB)
Dato Sri Liew Guat Hi
Datin Sri Lim Teok Lan
Dato Sri Liew Yue Cheong
Dato Liew Yue Lee
Leslie Louis Meng

Director (Non Family Members)
Huang Ye Too (Accountant)
Koi Yee Meng
Pau Sio Tech

Second Generation (2007-2011)

TPC Plus Berhad

Dato Sri Liew Kwee Hsi
Dato Sri Liew Yauk Lee
Dato Sri Liew Yue Cheong
Dato Liew Yue Lee

Tong Ping Chan Agriculture Sdn Bhd

Teck Ping Chan Farming
Teong Ping Chan Realty Sdn Bhd

Family Role in Organizational Structure

TPC (2007-2011)

Transformed into Maple Leaf organic food: focused on enzyme vinegar after being sold to London Biscuits Bhd.
S. Vit Makaman
(Medium Scale Enterprise)
(Ready to Cook Products)
(Instant Noodle)

**Product Manufacturer**

**First Generation (1975-2000)**
- Food trader specializing in Taiwanese vegetarian food stuffs
- Economic packed instant noodles to satisfy local food operation chain
- Produced Vit’s seasoning instant noodles (vegetarian and chicken flavor)

**Brief History**
- Started from Vit Makaman (Aor Star) as Taiwanese food trader in 1975
- Founder started out as Taiwanese food trader (1975-1976) due to the great market demand of Taiwanese vegetarian food in Malaysia.
- Vit ventured into Taiwanese instant noodle production (1977) in economic packs, targeted local food operation
- Steady development from small premises in Shah Alam with 5000 sq. ft. to Selayang with 35,000 square feet and by installing in-house machines (1978) and aggressively expanding with the acquisition of 105,000 square feet in Rawang (1998).
- Vit’s noodles products ranged from the early stage of economic packed air dried noodles (1978), to instant noodle with seasoning (chicken and veggie) (1985), Southeast Asian seasoning (Curry, Tom Yum) (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 expanded through advertising promotions and setup road show in university (2005).
- Lai brothers planned to penetrate into UAE and South Africa (2005) and established warehouse in Jabor and Perak (2008). Vit is one of five potential Malay small and medium enterprises (SME) to serve UK Tesco supply of Malaysian Halal food (2010).
- Knowledge has been developed from Taiwanese food trader to instant noodles manufacturer with global Halal standards recognition.

**Family Tree**

**First Generation (1975-2000)**
- Founder changed from trading to instant noodles manufacturing
- Lai Ah Lek (Founder)
  - 499,000 shares
- Lai Kim Eng (Founder’s wife)
  - 1,500,000 shares
- Abu Khiware Sae Lim (Founder’s relative)

**Second Generation (2001-2011)**
- Vit’s Malaysia Halal instant noodles to be sold at UK Tesco stores
- Vit’s Malaysia Halal instant noodles to be sold at UK Tesco stores
- Vit’s Malaysia Halal instant noodles to be sold at UK Tesco stores
- Vit’s Malaysia Halal instant noodles to be sold at UK Tesco stores

**Family Role in Organization Structure**

**First Generation (1975-2009)**
- Vit’s Makaman (Klang) 4,000 SqF
- Directors
  - Lai Ah Lek (Founder, CEO)
  - Lai Kim Eng (Director in Finance and administration)
- Vit’s Makaman (Selangor) 3,000 SqF
- Directors
  - Lai Ah Lek (CEO & Sales Marketing)
  - Lai Kim Eng (Finance Director)
  - Abu Khiware Sae Lim (Administration Director)

**Second Generation (2001-2011)**
- Vit Makaman (Klang) Sdn Bhd in Rawang - 105,000 SqF
- Main Advisor
  - Lai Ah Lek, Lai Kim Eng and Abu Khiware Sae Lim
- Directors
  - Lai Yik Guan (Production and Engineering)
  - Lai Yap Toh (Business Development & International)
  - Ng Lai List (Assistant Financial Director)
**Brief History**

- **First Generation (1948-1974)**
  - Low Ting Sin (Founder from China)
  - Established the "Xin Chuan Woh" Chinese herbal store in Melaka in 1948
  - Founder came from China and established Chinese medical hall in Melaka.
  - Brought along his 1st son, Low Poo Chin, to work as store assistant to analyze the pros and cons of Chinese herbal healing remedies.
  - Low Poo Chin's managerial style contrasted 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 50,000 bottles of chicken essence daily (1984) and named as Besfomee Industries with GMP (Good Manufacturing Practice) (1988) aligned with government effort to promote biotechnology and pharmaceutical industries.
  - The products included chicken essence (1984), bird nest essence (1990) and fish and vegetable 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 medicinal essence based health supplements.

**Family Tree**

- **First Generation (1948-1974)**
  - Low Ting Sin (Founder from China)
  - Low Poo Chin (Founder 1st Son)
- **Second Generation (1975-2000)**
  - Low Pak Kien 2nd brother
  - Low Pak Siong 3rd brother
  - Low Pak Wah 4th brother
  - Low Pak Kong 5th brother
- **Third Generation (2001-2011)**
  - Low Chew Ping
  - Low Pak Kien's son
  - Low Chew Ping's son

**Family Role in Organization Structure**

- **First Generation (1948-1974)**
  - Directors: Low Ting Sin (Founder, Owner) Low Poo Chin (Share Assistant)
  - Besfomee Industries Sdn Bhd
- **Second Generation (2001-2011)**
  - Directors: Low Poo Chai (Business Development) Low Pak Kien (Production) Low Pak Siong (Packaging) Low Pak Wah (Logistics) Low Pak Kong (Tourism)
### 10. Baker's Cottage

**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

  - Ventured into Ayam A1 food corporation and chicken chop withbroiler slaughtering plant in Sungai Buloh
  - Repacked for better frozen and chilled processed chicken products to target export trading

- **Third Generation (2001-2009)**
  - 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 Hop group

- **Slowly changed their core products from bakeries to mooncakes series**

<table>
<thead>
<tr>
<th>Brief History</th>
<th>1984-2011 (3rd Generation)</th>
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<table>
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<tr>
<th>Family Tree</th>
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</table>
| **First Generation (1979-1993)**
| (Founder) | (Founder’s brother) |
| Dato Lee Beng Young | (155,000 shares) |
| Dato Lee Eng Okan | (68,000 shares) |
| (Low Poo Chin’s brothers) | |
| Tan Sri Lee Tiong Nguang | (108,000 shares) |
| Lee Hoi Nguan | (50,000 shares) |
| Loo Joo Heng | (70,245,566 shares) |
| **Third Generation (2001-2011)** | |
| Loo Chia Nguan (Founder’s brother) | |
| Loo Hoi Nguan (Founder’s brother) | |
| Martin Lee | (Executive Director) |

| Family Role in Organization Structure | |
|--------------------------------------| |
| Dato Lee Beng Young (Founders) | Dato Lee Beng Young (Cooperating Director) |
| Dato Lee Eng Okan (Poultry Farming Specialist) | Dato Lee Eng Okan (Process Operations) |
| Tan Sri Lee Tiong Nguang (Operations) | Loo Joo Heng (Lovebird) |

| The Baker’s Cottage Group of Companies | |
|---------------------------------------| |
| Directors | |
| Loo Chia Nguan (Sales and Marketing) | Loo Hoi Nguan (Production) |
| Martin Lee (Current CEO) | |
### Il. Ghee Hsing

**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 Hsing Southeast Asia food production includes Tan Sze Pho, sesame oil and instant coffee

- Memorizing tradition across 3 generations, rebranding Ghee Hsing products as Penang heritage

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

**Brief History**
- Started as oriental pastries shop serving Chinese immigrant in Weld Quay, Penang (1856), led by famous pastry chef, Teng Kiu from China. Established Ghee Hsing at Beach Street, Penang (1860). Baby brand sesame oil was produced (1900) widely used in food dining, healthcare and industrial products.
- Teng Kiu’s wife sold out for few thousand dollars to 4 friends, Yeap, Yeoh, Chong and Ooi families (1926) when Teng Kiu passed away. Only Ooi and Chong family carried on the business, taking stake of Yeap and Yeoh families (1930) and became largest shareholders. The products ranged from Tan Sze Pho (1856) to sesame oil (1930), coffee powder (1950) and Penang food stuffs (1960).
- During the third generation, Ghee Hsing divided into Ghee Hsing Holdings (import and investment) and Ghee Hsing Manufacturing (food processing). Ghee Hsing Holdings developed Ghee Hsing garden (1994) while Ghee Hsing Manufacturing produced sesame oil products to penetrate Hong Kong, Singapore (1993) and Indonesia (1995) markets.
- Ghee Hsing conducted collaborative study with University Science of Malaysia (USM) to produce medicine from the sesame seed (2009).
- 3rd and 4th generations highlighted heritage food and build museums in Penang.

**Family Tree**

**First Generation (1856-1925)**
- Early settlement of pastries house by inviting pastry chef from China

- **Teng Kiu** (Founder from China) (Pastry Chef)
- **Yeap Family**
- **Yeoh Family**
- **Chong Family**
- **Ooi Family**

**Second Generation (1926-1987) (Owned by Chong and Ooi families)**

<table>
<thead>
<tr>
<th>Shareholding</th>
<th>Name</th>
<th>Shares</th>
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<tbody>
<tr>
<td>Chong Khoon Lim (100,000 shares)</td>
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<tr>
<td>Chong Siew Gek (100,000 shares)</td>
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<td>Chong Siew Lim (100,000 shares)</td>
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<td>Chong Siew Ngoh (98,000 shares)</td>
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<td>Chong Koo Hooi (200,000 shares)</td>
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<td>Chong Koo Kiong (100,000 shares)</td>
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<td>Chong Koo Wei (15,000 shares)</td>
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<tr>
<td>Chong Koo Hor (50,000 shares)</td>
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<tr>
<td>Chong Koo Tat (20,000 shares)</td>
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<td></td>
</tr>
</tbody>
</table>

**Third Generation (1988-2011)**

- **Chong Koo Jock (1966), Chong Koo Kiong (1969)**

**Ooi Koo Hoo (1878) grandson** (Chong Koo Jock’s grandson)
- Family Role in Organizational Structure

**First Generation (1856-1925)**
- **Teng Kiu** (Business founder)
- **Teng Kiu’s wife** (Shop assistant)
- **Teng Kiu’s son** (Shop assistant)

**Second Generation (1926-1987)**
- **Ghee Hsing Group of Companies**
  - Directors
  - Chong Koo Jock (Corporate Strategy)
  - Chong Koo Lim (Sales & Marketing)
  - Chong Koo Hor (Administration)
  - Chong Koo Wei (Production)

- **Ghee Hsing Holdings Sdn Bhd**
  - Directors
  - Investment Holding
  - Chong Koo Jock (4th Generation)
  - Investment and Property
  - Chong Koo Kiong (4th Generation)
  - Ooi Sun Tat (Retail)
  - Ooi Sun Home (Properties)

- **Ghee Hsing Manufacturing Co.**
  - Directors
  - Sesame oil & pastries manufacturing
  - Chong Koo Jock (4th Generation)
  - Manufacturing and Innovation
  - Chong Koo Kiong (4th Generation)
  - Ooi Sun Tat (Production)
  - Ooi Sun Home (Manufacturing)
I2. Kum Thim
(Small Scale Enterprise)
(Ready to Cook Products)
(Soy Sauce)

Product Manufacturer
First Generation (1976-1998)
Produce 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 operation 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
(2nd Generation)
Brief History

The founder worked in local restaurant as trainee when aged 15 (1969) and learnt on soy sauce-making techniques from the chef familiar with oriental cuisine in steamed dishes (1989). 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).
- Second generation focused on R&D to produce Yee Sang preparations (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 (Bak Leather 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.

Family Tree
First Generation (1976-1998)
Home based Kum Thim soy sauce production

Second Generation (1999-2011)

Kum Thim Light Soy Sauce (Home)

Business Owners
Man Siew Leong (Owner/Principal)
Ng Chi Sun (Managing)

Kum Thim Sauce Factory

Directors
Man Siew Leong (CEO)
Ng Chi Sun (Administration)

Kum Thim Food Industries Sdn Bhd

Directors
Man Siew Leong (Owner)
Man Siew Wing (Production & Finance)
Man Siew Leong (Sales & Marketing)
Man Lai Yee (Accounting)

Kum Thim Group of Companies

Directors
Man Siew Leong (Kum Thim Group)
Man Siew Wing (Frozen Food Supplies)
Man Siew Leong (Distributor)
Man Lai Yee (Centralized Operation)
### KLT Food
(Small Scale Enterprise, Ready to Eat Products, Restaurant and Food Processing)

#### Product Manufacturer

**First Generation (1972-2000)**
- Leong and made Hong Kong and Malaysian dim sum

**Second Generation (2001-2011)**
- Focused on food processing to produce KLT Japanese Mochi, egg roll and sauce

**Ventured into noodles production and established various noodles house

Produced cooking ingredients and distributed to major restaurant chains and for export

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### Brief History

- **Started as a family business selling fried Kway Teow in KL since 1960**
- The founder worked as an assistant in the restaurant (1962) and learned to make dim sum in “Young Yin Zhou” (1965) and Xin Long Fong (1968) to learn noodles (1969) and mooncake (1970).
- Founder opened “Kwee Kee” Hong Kong dim sum restaurant (1971) in central market after learning from HK chef. They shifted to the ground floor of Hotel Kem Lim Tai (owned by Tan H.S. Lee) to open Kem Lim Tai restaurant to provide morning tea snack and dim sum (1972).
- During the second generation, founder’s daughter helped to operate restaurant chain and established Guardian Catering Services (2002) and founder’s son, a graduate from Curtin University, led KLT food industries, achieving recognition in Halal certificate (2006), JAS-ANZ HACCP 2000 certification (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 their Chinatown. The second generation redesigned the menu to suit local cuisine (2006-2008).
- Knowledge has been nurtured from hawkers, strolling experience to restaurant chains and catering service and ventured into KLT Food Industries.

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### Family Tree

#### First Generation (1972-2000)
- **Lee Pak Lim (Founder)**
- **Lee Pak Li (Founder’s wife)**

#### Second Generation (2001-2011)
- **Lee Wah Meng (Founder’s daughter)**
- **Lee Kah Seng (Founder’s son)**

### Family Role in Organization Structure

#### First Generation (1972-2000)

- **Kem Lim Tai Restaurant**
  - Business owner/ Assistant
  - Lee Pak Lim (Chairman and Job-Job) owner

#### Second Generation (2001-2011)

- **Kem Lim Tai Group of Companies**
  - **Lee Pak Lim (Group CEO)**
  - **Lee Pak Li (Administrative)**
  - **Lee Wah Meng (Restaurant Crew)**
  - **Lee Kah Seng (Operations)**

---

### Directors

- **Kem Lim Tai Catering**
- **Kem Lim Tai Food Industries Sdn Bhd**
- **Kem Lim Tai Catering**
- **Kem Lim Tai Food Industries Sdn Bhd**

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160
14. Red House
(Small Scale Enterprise)
(Ready to Drink Products)
(Chinese Medicines)

**Product/Manufacturer**

**First Generation (1964-1989)**

Home-made fruit juice concentrate and cordials in different flavors.

Produced Red Horse brand of tropical fruit juice concentrate to serve local convenience stores, government bodies, and supermarkets.

Produced Nilmat concentrated syrups to cater to Arab countries.

**Second Generation (1990-2011)**

Produced Happy baby syrups to serve Maldives and Mauritius markets.

Produced Borr’s natural juice concentrate as premium products with high quality assurance.

Provided customization and special private labeling packaging.

**1964-2011 (2nd Generation)**

**Brief History**

- Started Red Horse, through van sales to distribute concentrate juice in 1964.
- Founder started out as a home-based business by bringing in some assistants and part-timers to be involved in processing chum. The fruit juice concentrates later distributed to sundry shops and canteens (1970).
- The cordials later distributed to government bodies (1975), police stations (1977), and army camps (1980) to cater to special events and celebrations.
- They later established Red Horse juice manufacturer in Tampan Kepang (1978) and distributed Red Horse products range from squash, cordials, syrups and syrups with 15 flavors (tropical fruit juice concentrate), to Malaysia, Brunei & Singapore (1981).
- They distributed “Nilmat” concentrated syrups in 6 flavors to cater to Arab countries (1989) and exported to Malaysia, Brunei & Singapore (1981).
- 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 (2003) were produced to cater to Maldives and Mauritius market.
- Founder remained as large shareholder and established Hong Nyl Sin & Sons Realty as a real estate company to accumulate capital. However, they remained as fruit juice cordials manufacturer. They provided customization or special packaging to cater to overseas market (2002).

**Family Tree**

First Generation (1964-1989)

- Founder was selling Red Horse cordial by through van sales.
- Hong Nyl Sin (Founder) (450,000 shares)
- Hong Nyl Ting (Founder’s brother) (42,219 shares)

Second Generation (1990-2011)

- Hong Nyl Ching (Founder’s 1st Son) (30,000 shares)
- Ken Nyl Koh Choa (Founder’s 1st Son) (70,000 shares)

**Family Role in Organization Structure**

First Generation (1972-2000)

- Red Horse Cordials (Van Sales)
  - Business owner/Manager
    - Hong Nyl Sin (Founder, President)
    - Hong Nyl Ting (Assistants)
  - Hong Nyl Ching (Founder, Manager)
    - Ken Nyl Koh Choa (Founder, Manager)

Second Generation (2001-2011)

- Red Horse Juice Manufacturer Sdn Bhd
  - Directors
    - Red Horse Juice Manufacturers
      - Hong Nyl Sin (CEO)
      - Hong Nyl Ting (Production Engineering)
    - Hong Nyl Ching (Sales and Marketing)
    - Ken Nyl Koh Choa (Sales and Marketing)

- Moon Kee Fruit Juice Sdn Bhd
  - Directors
    - Red Horse Juice Manufacturers
      - Hong Nyl Sin (Business Development)
      - Hong Nyl Ting (Production Engineering)
15. Hei Hwang
(Small Scale Enterprise)
(Ready to Buy Products)
(Coffee)

Product Manufacturer
First Generation (1975-2011)
Produced home-based herbal drinks to cater to local community who sought traditional remedies from herbs

Packed the herbal drinks in private labelling with longer shelf life

Second Generation (2002-2011)
Well managed with nice packaging of Hei Hwang pumpkin soup and instant health beverages

Processed quality soybean powder and nut powder, mostly imported from China, Guangdong

Developed Detox clean powder with fruit ingredients going through the dehydration process

1975-2011
(2nd Generation)

Brief History
- Started as traditional herbal drinks shop in Ipoh, Perak around 1965.
- 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.
- They established Hei Hwang Food Industries (1975), dealt with aroma taste of Ipoh Coffee. Ipoh herbal drinks are known to purify a finer delicate taste for their food and beverages. The founder insists coffee should always be brewed from 100% Ipoh White coffee beans.
- Founder brought in Taiwanese 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 puer (1982), milk tea (1985). Later brought in Guangdong and the instant white coffee was shipped to China market, in line with China’s open door policy (1990)
- Sons utilized land bought in Guangdong by setting up factory warehouse to select best sesame seeds, oats, soy beans, ginger and walnut for food processing in Malaysia and assigned dealership to China and Singapore.
- Knowledge has been transformed from Chinese herbal drinks to Hei Hwang unique Ipoh instant coffee, health supplements and organic foods.

Family Tree
First Generation (1975-2001)

Lee Hock Neo (Founder)
(385,595 shares)

Chun Sau Leng (Founder’s wife)
(22,269 shares)

Lee Hock Kee
2nd brother
(50,000 shares)

Lee Hock Kow
3rd brother
(50,000 shares)

Lee Hock Pan
4th brother
(50,000 shares)

Lee Hock Shun
5th brother
(50,000 shares)

Second Generation (2002-2011)

Lee Hock Neo
Founder
(385,200 shares)

Chun Sau Leng
Wife
(318,000 shares)

Lee Hock Yean
1st Son
(519,000 shares)

Lee Hock Hung
2nd Son
(519,000 shares)

Family Role in Organization Structure
First Generation (1975-2001)

Hei Hwang

Director
Lee Hock Neo (Business owner)
Chun Sau Leng (Shop Assistant)
Lee Hock Kee (Production)
Lee Hock Kow (Operations)
Lee Hock Pan (Packaging)
Lee Hock Shun (Logistics)

Second Generation (2002-2011)

Hei Hwang Food Industries (Ipoh Branch)

Director
Lee Hock Neo (CEO)
Chun Sau Leng (Administration)

Hei Hwang Food Industries (Ipoh Branch)

Director
Lee Hock Neo (CEO)
Chun Sau Leng (Administration)

Hei Hwang Food Industries (Ipoh Branch)

Director
Lee Hock Neo (CEO)
Chun Sau Leng (Administration)

Hei Hwang Food Industries (Ipoh Branch)

Director
Lee Hock Neo (CEO)
Chun Sau Leng (Administration)

Hei Hwang Food Industries (Ipoh Branch)

Director
Lee Hock Neo (CEO)
Chun Sau Leng (Administration)

Hei Hwang Food Industries (Ipoh Branch)

Director
Lee Hock Neo (CEO)
Chun Sau Leng (Administration)

Hei Hwang Food Industries (Ipoh Branch)

Director
Lee Hock Neo (CEO)
Chun Sau Leng (Administration)
Eng Hup Seng

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 sauce, 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 automation to distribute overseas Asian food market

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 became a major producer of sesame oil in Malaysia. In 1987, Eng Hup Seng established a factory in Sungai Buloh.
- During the second generation, 4 sons greatly involved in production, sales and marketing. To compete with other sauce manufacturer such as Lee Kiam Kee, E.S. and Bobo, sons make sure their products always contained high nutritional value to penetrate into Asian supermarket retail chains such as Tesco (2000), Giant Supermarket (2002), Ecomart (2005) and Carrefour (2010). Founder's older 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 market 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 Nissin (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)
- Early establishment of home-based sesame oil factory

Khoi Hoi Sun (Founder)
Lee Siew On (Founder's Assistant)

Koh Chai Swee
1st Son (25,000 shares)
Koh Chai Sing
2nd Son (25,000 shares)
Koh Chye Beng
3rd Son (25,000 shares)
Koh Chye Hing
4th Son (25,000 shares)

Second Generation (2001-2011)
- Koh Chai Swee
- Koh Chai Sing
- Koh Chye Beng
- Koh Chye Hing

Family Role in Organization Structure
First Generation (1987-2000)
- Eng Hup Seng

Second Generation (2001-2011)
- Eng Hup Seng (Home Based)
- Eng Hup Seng Sesame Oil & Sauce Factory

Business Owner
Khoi Hoi Sun (Owner, sales manager, marketing manager, logistics)
Lee Siew On (Assistant)

Directors
Koh Chai Swee (Managing Director)
Koh Chai Sing (Manager)
Koh Chye Beng (Manager)
Koh Chye Hing (Manager)

Directors
Koh Chai Swee (Sales & Marketing)
Koh Chye Hing (Sales &Marketing)
Koh Chai Sing (Production Engineer)
Koh Chye Beng (Operations)

Eng Hup Seng (Home Based) / Eng Hup Seng Sesame Oil & Sauce Factory

Division
Export & Supermarket Division
- Directors
Koh Chai Swee (Sales & Marketing)
Koh Chye Hing (Sales & Marketing)
Koh Chai Sing (Production Engineer)
Koh Chye Beng (Operations)

Eng Hup Seng (Home Based) / Eng Hup Seng Sesame Oil & Sauce Factory

Contract Manufacturing Division
- Directors
Koh Chai Swee (Sales & Marketing)
Koh Chye Hing (Sales & Marketing)
Koh Chai Sing (GSM Production)
Koh Chye Beng (Operations)
17. Regent Food
(Small Scale Enterprise)
(Ready-to-Eat Products)
(Sesame Gili)

Product Manufacturer
First Generation (1987-1995)
Home-based nuts fried and mostly supplied to school canteens and hawker centers

Produced roasted peanuts, broad beans and chick peas by adopting temperature control oven method

Produced roasted cashew and Macadamia nuts to suit consumer demand of western nut products

Second Generation (1996-2011)
Added Wasabi and Spicy flavor during nut processing and became pioneer of nut production in Southeast Asian market

Added chicken and Sautéed flavor to cater to Asian market with special packaging

Coated with black beans and Hawaii mixed nuts, adopted technology from USA and European markets

Brief History
- Started from home-based nuts fried and supplied to school canteens since 1970
- The founder participated as a member of Malaysian Foodstuffs and Toys Merchants Association (1975) and built up strong networking with the association to obtain the license to establish Regent Food Products (1987)
- Founder selects quality raw peas from Malaysia (1976), Indonesia (1980), Sri Lanka (1985), Brunei (1988), China (1990) and Cambodia (1992) and undergoes stringent quality control:
- Founder used stir fly methods to produce fried peanuts (1978), fried green peas (1980), fried broad beans (1981), fried Macadamia nuts (1985) and fried chick peas (1990)
- Founder upgraded from traditional black color frying wok to temperature control roasted oven (1992) to produce large quantity of nut peas
- 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), sauté flavor (2002) and wasabi (2004). They were able to distribute their processed nuts to Southeast Asia market (1998), Asian market (2000) and Australia market (2005), since Regent introduced frying machine method (2003)

Family Tree
First Generation (1987-1995)
- Lim Chong Siong (Founder)
  (172,214 shares)
- Ooi Pak Yik (Founder’s Wife)
  (235,698 shares)

Lim Boon Kuan
Founder’s Friend
(16,467 shares)

Lim Yean Tean
1st Son
(16,467 shares)

Lim Yean Thoe
2nd Son
(76,534 shares)

Lim Sian Fong
3rd Daughter

Michael
(Sian Fong’s husband)

Second Generation (1996-2011)

Family Role in Organization Structure
First Generation (1987-1995)
- Boss of Regent Food
  - Business Owner
    - Lim Chong Siong (Business owner)
    - Ooi Pak Yik (Production)
    - Dr. Lim Sian Fong (Administration)

Second Generation (1996-2011)

- Regent Food Products (MJ Sdn Bhd)
  - Malaysia Market
    - Directors
      - Lim Yean Tean (Production)
      - Lim Sian Fong (Production)
      - Lee Boon Kuan (Production)

- Regent Food Products (MJ Sdn Bhd Export Market)
  - Directors
    - Lim Yean Thoe (Export and Business Development)
    - Lee Boon Kuan (Production)
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 3rd 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 Pneah*.”

\(^{9}\) 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 Macauand 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 moocakes and adapted ideas from private labelling of Japanese biscuits.

Maintaining tight control of the family business impedes 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. 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.

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

38 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

<table>
<thead>
<tr>
<th>Family Enterprise/ Business Nature</th>
<th>Enterprise Type</th>
<th>Year establishment/ Generation/ Succession</th>
<th>Start-up Enterprise</th>
<th>Triggering Event</th>
<th>Change Enterprise and Development</th>
<th>Change in Management System</th>
<th>Change in Production System</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Eu Yan Sang (EYS) (Chinese Herbs)</td>
<td>Large Enterprise</td>
<td>1942-2011 (3rd Generation) (Father-Owner)</td>
<td>Started from herbs medical hall in Perak</td>
<td>Triggered by immigrant Chinese in Malaya who had skills for physician care</td>
<td>Changed to Eu Yan Sang herbal and health care retail chain</td>
<td>Professional management with mentor in medicine and science professions</td>
<td>Joint forces with Oxford Natural Product to develop new supplements</td>
</tr>
<tr>
<td>2. Khong Guan (Biscuits)</td>
<td>Large Enterprise</td>
<td>1957-2011 (3rd Generation) (Father-Nephew)</td>
<td>Started from commodities trader in Southeast Asia</td>
<td>Triggered by large mass demand for biscuits as primary food</td>
<td>Changed to Asian Khong Guan group with mass marketing chain</td>
<td>Retaining management with directors experienced in investment</td>
<td>Sign agreement with Arnotts to venture into overseas and Asian markets</td>
</tr>
<tr>
<td>3. London Biscuit (Biscuits)</td>
<td>Large Enterprise</td>
<td>1964-2011 (2nd Generation) (Father-Son)</td>
<td>Started as bakers in Singapore</td>
<td>Triggered by entrepreneurial dynamics as issue studied by second generation at Singapore University</td>
<td>Changed to London Biscuit and largest roll cake production in Southeast Asia</td>
<td>Professional management led by professional second generation and Chief Operating Officer</td>
<td>Mastering new technology in instant confectioneries and cakes through acquisition</td>
</tr>
<tr>
<td>4. Tatawa (Biscuits)</td>
<td>Medium Enterprise</td>
<td>1981-2011 (2nd Generation) (Father-Nephew)</td>
<td>Started as traditional wedding pastries house</td>
<td>Triggered by private labelling in biscuits production from Japan</td>
<td>Changed to private labelling and export based biscuits production</td>
<td>Evolution from traditional pastries to food technology management</td>
<td>Private labelling for export - developed Tatawa biscuits and mooncakes</td>
</tr>
<tr>
<td>5. King’s Confectionery (Pastries)</td>
<td>Medium Enterprise</td>
<td>1977-2011 (2nd Generation) (Father-Son-Daughter)</td>
<td>Started as hawker style coffee shop in Penang</td>
<td>Triggered by personal passion and interest to make pastries</td>
<td>Changed to King’s confectionery chain and lifestyle cafe</td>
<td>Family ownership combined with business franchising</td>
<td>Frozen King’s bakeries to venture into airline food and franchise</td>
</tr>
<tr>
<td>6. Lokkumara Usaha (Noodles)</td>
<td>Medium Enterprise</td>
<td>1975-2011 (2nd Generation) (Father-Son-Daughter)</td>
<td>Started as home-based noodles production in Ampang</td>
<td>Triggered by market demand for fresh noodles, Malaysia style</td>
<td>Changed to halal-based instant noodles production</td>
<td>Family management with foreign ownership from Thailand</td>
<td>Cloned Halal noodles and venture into Chinese Muslim cafe</td>
</tr>
<tr>
<td>7. TPC Plus (Egg)</td>
<td>Large Enterprise</td>
<td>1976-2011 (2nd Generation) (Brother-Outside)</td>
<td>Started as poultry chicken farm in Medan</td>
<td>Triggered by contract manufacturing to supply fresh eggs to McDonald’s</td>
<td>Changed to TPC Plus, owned by Lombardo and ventured into biotechnology</td>
<td>From You brothers to Lombardo ownership and remained as a poultry producer</td>
<td>Ventured into enzyme vinegar biotechnology after being sold to Lombardo</td>
</tr>
<tr>
<td>8. Vit Makanan (Noodles)</td>
<td>Medium Enterprise</td>
<td>1975-2011 (2nd Generation) (Father-Son)</td>
<td>Started as Taiwanese foods trader in Kedah</td>
<td>Triggered by market demand for instant noodle</td>
<td>Changed to Vit instant noodles manufacturer</td>
<td>Greatly emphasized marketing and IT</td>
<td>Partnership with Tesco to distribute Vit instant noodles</td>
</tr>
<tr>
<td>Family Enterprise/ Business Nature</td>
<td>Enterprise Type</td>
<td>Year of establishment/ Generation/ Succession</td>
<td>Start-up Enterprise</td>
<td>Triggering Event</td>
<td>Change Enterprise and Development</td>
<td>Change in Management System</td>
<td>Change in Production System</td>
</tr>
<tr>
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<tr>
<td>9. BexComc (Chinese Herbs)</td>
<td>Medium Enterprise</td>
<td>1948-2011 (3rd Generation) (Father-Son-Nephew)</td>
<td>Started as Chinese herb store with physcian training</td>
<td>Triggered by market acceptance of essence health supplements</td>
<td>Changed to evidence-based health products and Chinese herbal medicine</td>
<td>Professional management backed with promotion in pharmacy</td>
<td>New R&amp;D in health essence product extracts from local herbs</td>
</tr>
<tr>
<td>10. Baker’s Cottage (Cakes &amp; Breads)</td>
<td>Large Enterprise</td>
<td>1994-2011 (3rd Generation) (Father-Son-Grandson)</td>
<td>Started as back-yard day-old-chick farming</td>
<td>Triggered by booming industry of processed food retail chain</td>
<td>Changed to bakers retailer as subsidiary, utilizing from chicken farming</td>
<td>Family ownership streamlined with Leong Hup group</td>
<td>Baker Cottage bakers and mooncakes, utilized from Leong Hup</td>
</tr>
<tr>
<td>11. Ghee Huang (Sesame Oil)</td>
<td>Small Enterprise</td>
<td>1965-2011 (3rd Generation) (Father-Friends)</td>
<td>Started as oriental pastries shop for immigrants</td>
<td>Triggered by promotion of Penang heritage food stuffs</td>
<td>Changed to Penang heritage food and R&amp;D in sesame seeds</td>
<td>Tight ownership control with elderly family members</td>
<td>Protect oil recipe and Penang heritage food stuffs</td>
</tr>
<tr>
<td>12. Kim Thim (Soy Sauce)</td>
<td>Small Enterprise</td>
<td>1970-2011 (2nd Generation) (Father-Son)</td>
<td>Started as door-to-door soy sauce salesperson</td>
<td>Triggered by new network opportunities when founder worked at a restaurant</td>
<td>Catered to 4-5 star hotels, appointed sauces supplier and food exporter</td>
<td>Joint venture with China Jiang’s group to achieve quality food management</td>
<td>New direction to penetrate into Halal food, Dim Sum and frozen food</td>
</tr>
<tr>
<td>13. KLT Food (Restaurant)</td>
<td>Small Enterprise</td>
<td>1972-2011 (2nd Generation) (Father-Daughter-Son)</td>
<td>Started as Dim Sum restaurant business in central market</td>
<td>Triggered by strong influence of Hong Kong cuisine in Malaysia</td>
<td>Changed to KLT group of companies, consisting of restaurants and in food industry</td>
<td>Cooperated with Al Fabulous food to split into restaurant and food production</td>
<td>New direction to promote localized catering and KLT food stuffs and mooncakes</td>
</tr>
<tr>
<td>14. Red Horse (Cordials)</td>
<td>Small Enterprise</td>
<td>1964-2011 (2nd Generation) (Father-Son)</td>
<td>Started as concentrate juice distributor</td>
<td>Triggered by strong demand from government bodies</td>
<td>Changed to halal-based private labelling fruit juice supplier</td>
<td>Tight family ownership control with extended family</td>
<td>To create different brands in fruit juice, targeted export trading</td>
</tr>
<tr>
<td>15. Hsi Hwang (Coffee)</td>
<td>Small Enterprise</td>
<td>1975-2011 (2nd Generation) (Father-Son)</td>
<td>Started as herbs and herbal drink distributor in Ipoh</td>
<td>Triggered by popularity of Ipoh white coffee</td>
<td>Changed to instant coffee packs and powder health supplements</td>
<td>Ownership and contract farming in China</td>
<td>New product development in Hsi Hwang coffee and health drinks</td>
</tr>
<tr>
<td>16. Eng Fong Seng (Sesame Oil)</td>
<td>Small Enterprise</td>
<td>1987-2011 (2nd Generation) (Father-Son)</td>
<td>Started as traditional home-based sesame oil producer</td>
<td>Triggered by acceptance by market for new types of product</td>
<td>Changed to contract manufacturing in sesame oil production</td>
<td>Tight family ownership focused on local and foreign markets</td>
<td>New packaging of sauces for contract manufacturing</td>
</tr>
<tr>
<td>17. Regent Food (Peanuts)</td>
<td>Small Enterprise</td>
<td>1981-2011 (2nd Generation) (Father-Son)</td>
<td>Started as traditional home-based nuts and beans producer</td>
<td>Triggered by snack food market demand for nuts and peanuts</td>
<td>Changed to private labelling of nuts and peanut production</td>
<td>Family ownership exposed to export trading</td>
<td>Repackaged the nuts and added flavors to cater to various export markets</td>
</tr>
</tbody>
</table>
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.”

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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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 Makaman 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

<table>
<thead>
<tr>
<th>Size and Age of Family Enterprise</th>
<th>Brief History in Family Enterprises</th>
<th>Family Tree in Family Enterprises</th>
<th>Family Role in Family Enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Large-Scale Enterprise</strong></td>
<td>From First to the Next Generation</td>
<td>From First to the Next Generation</td>
<td>From First to the Next Generation</td>
</tr>
<tr>
<td>(London, Khong Guan, Hu Yan Sang, Baker’s Cottage, TPC Plus)</td>
<td>Start-up: Started as Chinese enterprise to serve local community products such as herbs, biscuits, poultry and canned food. Changes: Emerged as largest Southeast Asian food production firms serving Asian or non-Asian market demand for products such as Hu Yan Sang herbs and London Roll Cakes.</td>
<td>Family Tree: Founder introduced clan-based organization structure by inviting herbalists and chemists from other countries who were more skilled to run the business. Third and fourth generations not interested in production and some of them incorporated foreign partnerships.</td>
<td>Family Role: 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.</td>
</tr>
<tr>
<td><strong>Medium-Scale Enterprise</strong></td>
<td>From First to the Next Generation</td>
<td>From First to the Next Generation</td>
<td>From First to the Next Generation</td>
</tr>
<tr>
<td>(Taiwan, King’s Confectionery, KLT Food, Laksamana Usaha, Vit Makanan, Benfomee and Kumi Thim)</td>
<td>Start-up: Started as traditional home-based food producers of noodles, biscuits, pastries, mooncakes and health supplements based on tacit knowledge. Changes: Become unique brand in food production such as Vit’s instant noodles, Benfomee essence, King’s pastries, Kumi Lam Yi restaurant, Laksamana noodles and Ghee Hiang sesame oil.</td>
<td>Family Tree: 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.</td>
<td>Family Role: 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 cafes.</td>
</tr>
<tr>
<td><strong>Small-Scale Enterprise</strong></td>
<td>From First to the Next Generation</td>
<td>From First to the Next Generation</td>
<td>From First to the Next Generation</td>
</tr>
<tr>
<td>(Red Horse, Heng Hwang, Regent Food, Eng Hup Seng, Ghee Hiang)</td>
<td>Start-up: Started as home-based food producers of peanuts, concentrated juice, sesame oil, biscuits and sauces with strong influence from founder’s family background. Changes: Changed to contract manufacturing in food production to create niche market such as Heng Hwang Rob white coffee, Ghee Hiang biscuits, Regents peanuts.</td>
<td>Family Tree: Founders’ heirs still had generational shadows and under founder’s influence during decision-making. Heirs trained from early childhood, seen in Heng Hwang, Red Horse, Regent and Eng Hup Seng.</td>
<td>Family Role: 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.</td>
</tr>
</tbody>
</table>

176
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, they 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 Manners’ (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 200740.

![Figure 5.2: New Product Development in Small, Medium and Large Food Smes across Generations](image)

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

40Profit 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 Makaman, 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. King’s Confectionery registered a remarkable rise in plant and machinery cost, from RM17.12 million in 2003 to RM21.12 million in 2007, 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. 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”.

- The term ‘Hainanese’ refers to a native or inhabitant of the island of Hainan in China. Hainanese communities first migrated to Malaysia 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.
- Property, plant and equipment cost from King’s financial statement, 2003-2007, SSM.
- 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

<table>
<thead>
<tr>
<th>SME's Milestone</th>
<th>Organizational Structure (3Ms)</th>
<th>Strategy</th>
<th>Organizational Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Ee Yoon Seng (EYS) (Large Scale Enterprise) (1842-2011)</td>
<td><strong>First Generation</strong> Marketing: Distribution targeted on tin-mining workers. Manufacturing: Equipped with herb remedies. Management: Family management and hired herbalists from China.</td>
<td><strong>First Generation</strong> Strategy: EYS-based herbal concoctions to alleviate sickness suffered from opium use targeted the tin-mining workers in Malaya, and most of them came from China.</td>
<td><strong>First Generation</strong> Enterprise Development: Constantly imported herbs from China and opened Ee Yoon Seng Medical Shop. Ee Yoon Seng (EYS) Medical Shop.</td>
</tr>
<tr>
<td><strong>Second Generation</strong> (Objective) To diversify EYS family business empire</td>
<td></td>
<td><strong>Second Generation</strong> Strategy: EYS increased wealth to invest in different business and opened medical hall in overseas Chinese.</td>
<td><strong>Second Generation</strong> Enterprise Development: Constantly diversified into international business. Ee Yoon Seng (EYS) International.</td>
</tr>
</tbody>
</table>
Khong Guan

First Generation (Objective)
Produce biscuits at post war period. Existence Stage

First Generation
Marketing: Distribution targeted on Chinese immigrant at post war period.
Manufacturing: Equipped with old metal setup by using bicycle chain connected to the oven.
Management: Family management and hired schoolmates from China.

Second Generation (Objective)
To diversify the business related to primary business. Survival Stage

Second Generation
Marketing: Diversifies activities into property and flour milling sector.
Manufacturing: Equipped with flour milling technology accessed to Australia's Arnotts recipe.
Management: Professional management and recruited non-family based managers.

Third Generation (Objective)
Promoted Khong Guan into multi-national companies. Success Stage

Third Generation
Marketing: Distribution to International and China market.
Manufacturing: Equipped with sophisticated machines to produce biscuits and shared the food culture in the global marketplace.
Management: Professional management under worldwide associate companies.

First Generation
Strategy: Khong Guan makes use of founder's previous biscuits making knowledge to produce biscuits during Japanese occupation.

Second Generation
Enterprise Development: Constantly experimented with using different technology and established biscuits factories.

Third Generation
Enterprise Development: Frequently upgraded and diversified into different business related to primary business activities.

Third Generation
Khong Guan Group of Companies

- Kin Hong Food
- Chang Ying Confectioner
- Sea Lion
- Ramon Cake & Confectioner
- Eun Quan Biscuits

Khong Guan (Investment)

- Asia Pacific Strategic Investment
- Nigori Realty
- Tai Ming Investment

- Twenty Century Investment

Khong Guan (China)

- KEC (Flour Milling)
- KEC (Biscuits)
- KEC (Bakery)

- KAG (Baking)
- KAG (Biscuits)
- KAG (Retail)

- KI (Trading)
- KI (Distribution)

- KI (Investment)

Khong Guan (Investment)
3. London Biscuit (Large Scale Enterprise) (1994-2011)

**First Generation**

**Objective**
Produced corn based snacks in Malaysia.

**Existence Stage**

**First Generation**

**Marketing**
Distribution targeted on corn snacks mostly to kids.

**Manufacturing**
Equipped with single machine to produce savory corn snack.

**Management**
Family management between husband and wife by acquiring majority stake in other food production enterprises.

**Survival Stage**

**Second Generation**

**Objective**
To be the biggest cakes and pastries production in Southeast Asia market.

**Success Stage**

**Marketing**
Diversifies business activities into cakes, rolls, biscuits, snacks and potatoes chips from local to EAE and Asian market.

**Manufacturing**
Equipped with automated technology and convenience packaging to enhance ease of export.

**Management**
Professional management split into COO and CEO to give more autonomy to handle business operation.

**Renewal Stage**

**First Generation**

**Strategy**
London Biscuit food acquiring strategy to own the food production enterprises and enhanced technology transfer to avoid shortage in the raw ingredients to promote diversification.

**Enterprise Development**
Constantly acquired the food production enterprise to produce London trademark of snacks, biscuits and cake rolls.

**Second Generation**

**Strategy**
London Biscuit acquiring strategy to own the food production enterprises and enhanced technology transfer to avoid shortage in the raw ingredients to promote diversification.

**Enterprise Development**
- Purchased factories to accommodate business expansion
  - LBB 1st Factory (Biscuits Cup Cig)
  - LBB 2nd Factory (Long Shelf Life Pie Cake)
  - LBB 3rd Factory (Cake Confectionery)
  - LBB 4th Factory (Swiss Roll)

**London Biscuits Berhad**
- Awarded the Enterprise 50 Award, ISO 9002, IPO was subscribed by 25,400.
- Successfully listed on 2nd board on 2002.
- Successfully listed on 1st board on 2003.

**London Biscuits Group of Companies**

- London Biscuits Sn Bhd
- Khee San Food Industries SDN BHD
- Khee San Marketing SDN BHD
- Khee San Berhad
<table>
<thead>
<tr>
<th>First Generation</th>
<th>First Generation</th>
<th>First Generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing: Distribution</td>
<td>Strategy: As pioneer, moderately promoted organizational capabilities and 3Ms to produce OEM products to trace the food culture from the global marketplace.</td>
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<tr>
<td>First Generation Objective: Leading manufacturer to produce OEM Japanese biscuits to away from traditional biscuits gift shop</td>
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<tr>
<td>Existence Stage</td>
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<tr>
<td>Second Generation Objective:</td>
<td>Second Generation Objective:</td>
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<tr>
<td>Enforced love at first bite of quality Tatowa biscuits</td>
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<tr>
<td>Success Stage</td>
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<tr>
<td>Second Generation Marketing: New distribution channels, targeted supermarket channel and mono-cakes production was introduced</td>
<td>Second Generation Manufacturing: Equipped with food technology machines imported from Germany and Japan to produce east and west combination biscuits.</td>
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<tr>
<td>Second Generation Manufacturing: Equipped with food technology machines imported from Germany and Japan to produce east and west combination biscuits.</td>
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<tr>
<td>Enterprise Development:</td>
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<tr>
<td>Frequently upgraded current premises with bigger space for specific food processing facilities and imported machines to produce Tatowa biscuits.</td>
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<tr>
<td>Tatowa Group of Companies</td>
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<tr>
<td>Tatowa Industries (Domestic Flavor)</td>
<td>Tatowa Group of Companies</td>
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<tr>
<td>Distributed cookies to the shopping complex in Malaysia: - Queens - Tesco - Carrefour - Maxis - The Store Client Supermarket.</td>
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<tr>
<td>Tatowa Industries (Export &amp; Private Label)</td>
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<td>Distributed monochitate and cookies via online system during special event celebration.</td>
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<td>Tatowa Group of Companies</td>
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<tr>
<td>Enterprise Development:</td>
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<tr>
<td>Frequently upgraded products, keeps abreast with technological advancement to meet the stringent requirement by producing Tatowa biscuits.</td>
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<td>Tatowa Group of Companies</td>
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<td>Tatowa Group of Companies</td>
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<td>Tatowa Group of Companies</td>
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<tr>
<td>Distributed monochitate and cookies via online system during special event celebration.</td>
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</tbody>
</table>
King's Confectionery

First Generation Part I
(Objective)
Opened Hainanese-style cafe in the small town. Existence Stage

First Generation Part I
(Manufacturing)
Equipped with coffee brew equipment and specific tools to produce Hainanese pastries.

First Generation Part I
(Marketing)
Focused on serving coffee to attract customers who love Hainanese foods.

First Generation Part I
(Enterprise Development)
Frequently introduced new Hainanese foods for Hainanese food lovers during breakfast and tea time. Prefer to stay as hawker style cafe.

First Generation Part II
(Objective)
Allocated from the hawker stall to King’s bakeshop house and became largest confectionery retail chain. Survival Stage

Second Generation
(Objective)
Turned King’s confectionery to franchise from retail shop to Kopitiam Lifestyle cafe. Decline Stage

Second Generation
(Manufacturing)
Equipped with 210 machines from flour mixer, oven and cooker to produce pastries and breads.

Second Generation
(Marketing)
Mainly distributed the products to the assigned outlets in all Malaysian states.

Second Generation
(Enterprise Development)
Constantly created King's pastries to centralize the business from one outlet to another.

First Generation Part II
(Management)
Founder's eldest daughter (Madam Wong) acted as main decision maker and started to involve brothers and sisters in the business operation.

First Generation Part II
(Strategy)
Kings started to launch different pastries and beverages products based on modern Wong's recipe.

First Generation Part II
(Second Generation)
Blended innovative ideas between modern Wong and staffs.

King’s Group of Companies

Cake Sense Bakery
Modern Wong resigned during first generation part II and established Cake Sense bakeries house target high end market.

King’s Confectionery Sdn Bhd (Bakery)

- Kingsgo Holdings
- King's Bakery
- King's Cafe
- King's Franchise
- KB Bakery
- Variety Fresh
- Ode "2" Juice

King’s Group of Companies

King’s Confectionery Sdn Bhd

- House of King
- King's Franchise (Tokyo)
- King’s Confectionery (Bangladesh)
- King’s Confectionery (Rural Area)

Pak Hailam Kopitiam Lifestyle

- Pak Hailam Kopitiam (Kotap)
- Pak Hailam Kopitiam (Kuching)
- Pak Hailam Kopitiam (LRT Station)
- Pak Hailam Kopitiam (Urban Area)
### Laksamana Usaha
(Medium Scale Enterprise) (1975-2011)

**First Generation**

**Objective**
Produced homemade noodles adopted recipe from Fujian China to cater Chinese in Malaysia.

**Stage**
Survival Stage

**First Generation**

**Marketing**
Focused on ethnic business who located at sundry shops and wet market.

**Manufacturing**
Equipped with semi-auto machine to combine traditional recipe with the latest technology in noodles production.

**Management**
Family members management under founder leadership and assigned the job solely to the family members who worked for long time in the enterprise.

### Second Generation

**Objective**
Promoted Laksamana as cleanest noodles based on Malaysia deli and explored global Halal market.

**Stage**
Success Stage

**Second Generation**

**Marketing**
New distribution channel targeted from ethnic enterprise to Halal Chinese Muslim restaurant retail chain.

**Manufacturing**
Equipped with mixing, grinding, and cooking machines produce cleanest noodles.

**Management**
Family members lead by founder's eldest son and invited his siblings to monitor sales and production. Still returned senior staff to work at van selling and production to protect tacit knowledge.

### Enterprise Development:
Frequently moved from home based noodles making to the shop lots and established new factory warehouse to upgrade the technology.

**Jian Ann Home Based Noodles Making**
- Yellow Noodles and Kuey Teow

**Jian Ann Noodles manufacturing**
- Noodles products in safe packaging

**Laksamana Usaha Noodle Products**
- Noodles production based on Malaysia deli

### Second Generation

**Strategy**
Moderately involved in R&D to innovate new knowledge by involving Malaysia's director to explore opportunities of Halal food in Malaysia and global marketplace.

**Management**
The nation which invited company director to enhance knowledge sharing between Malaysia and Thailand as well as benefited in export trading.

### Second Generation

**Marketing**
Frequently upgraded products, keeps abreast with technological advancement to create cleanest noodles with Halal recognized to be consumed in Chinese Muslim restaurant retail chain.

**Laksamana Usaha Noodles Products**
- Noodles Varieties
  - Laksamana (Noodles)
  - Yellow mee, Kuey Teow and flat mee
  - Laksamana (Vermicelli)
  - Yee Mee and Bihun

**Food ingredients**
- Laksamana (instant sauce)
- Laksamana (beans products)

**Food operator and retail chain**
- Laksamana (Chinese Muslim restaurant retail chain-Dong Yi Shou)
- Laksamana (bathroom stall)
- Laksamana (hotel industry)
- Laksamana (restaurant)
- Laksamana (hypermarket)
First Generation

Objective

Ventured into instant noodles production adopting technology from Taiwan.

Existence Stage

Survival Stage

Declining stage

Second Generation

Objective

Achieved recognition as a instant noodles exporter with authentic taste based on Asian and Southeast Asian food.

Success Stage

Renewal Stage

First Generation

Marketing: Distribution focused on Taiwanese food trader and shifted to instant noodles production.

Manufacturing: Equipped with Taiwanese technology to produce economic pack of air-dried instant noodles to cater halal market.

Management: Family members usually under founder with his wife leadership and bring along his workers from previous food trading to involve in instant noodles production.

First Generation

Marketing: As pioneer in instant noodles production, moderately promotes organizational capabilities and XE to promote Malaysia local based instant noodles production by adopting Taiwanese technology.

Strategy: Family members usually under founder leadership with his workers from previous food trading to bring along into instant noodles production.

Management: Family members usually under founder leadership and bring along his workers from previous food trading to involve in instant noodles production.

First Generation

Enterprise Development:

Frequently purchased new premises from 3,000 square feet to 33,000 square feet to expand the production line to align with the growth in demand.

Vit’s Makanan (Kedah) Sdn Bhd - Taiwanese food trader

Vit’s Makanan (Shah Alam) Sdn Bhd - Produced economic pack instant noodles production

Vit’s Makanan (Selayang) Sdn Bhd - Produced seasoning flavor instant noodles based on Malaysia delicate

Vit’s Makanan (Rawang) Sdn Bhd - Produced healthy instant noodles in both seasoning and non-seasoning flavor

Second Generation

Enterprise Development:

Frequently upgraded products, keeps abreast with technological advancement to build on reputation and created Vit’s brand in the global Halal market on International supermarket retail chain.

Vit’s Makanan (KL) Sdn Bhd

Vit’s Malaysia Market

Malaysia major supermarket retail chain

- AEON - Tesco

Vit’s (Europe)

In the west - Europe & Britain (UK Tesco, USA In the Halal food - Middle East and Brussels

In the Asia - Singapore, Indonesia, Hong Kong, Thailand, Cambodia, Papua New Guinea, South Africa, Australia & New Zealand

Vit’s (China)

- Electronic commerce - Facebook on the road show - Alibaba - E-store (China)
<table>
<thead>
<tr>
<th>Generation</th>
<th>Objective</th>
<th>Marketing</th>
<th>Manufacturing</th>
<th>Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>- Health Care</td>
<td>- Healthcare supplements</td>
<td>- Essence production</td>
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<tr>
<td></td>
<td>- Food Industry</td>
<td>- Essence production</td>
<td>- -</td>
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<tr>
<td></td>
<td>- Beverage</td>
<td>- Essence production</td>
<td>- -</td>
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<td></td>
<td>- Retail</td>
<td>- Essence production</td>
<td>- -</td>
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<td></td>
<td>- Distribution</td>
<td>- Essence production</td>
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<tr>
<td></td>
<td>- Export</td>
<td>- Essence production</td>
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</tr>
</tbody>
</table>
First Generation

Objective: Adapting pastries production recipe from China to produce sesame oil and biscuits to serve Chinese immigrant in Penang.

Existence Stage

Marketing: Distribution targeted to Chinese immigrant located in Penang.

Manufacturing: Equipped with traditional sesame oil and pastries production.

Management: Family management under founder leadership. The wife sold the business to 4 families after the founder passed away.

Second Generation

Objective: Leading and pioneering in Penang heritage foods of Tau Saf Pah and baby brand sesame oil.

Survival Stage

Marketing: Diversified the business and targeted niche market on Penang heritage food stuffs to enhance tourism.

Manufacturing: Equipped with semi-auto machines and remained hand-made filling and production.

Management: Ooi and Chye family bought the majority stake from Yeh and Poh family as the main shareholder for Ghee Hiong Group.

Third Generation

Objective: Acclaimed for its brand heritage values through traditional excellence practiced and innovation in biotechnology.

Success Stage

Marketing: Distribution targeted overseas Chinese and focused on global Halal opportunities in UAE countries.

Manufacturing: Equipped with food safety technology to promote sesame oil and oilseed.

Management: Partnership between Com and Chye in third and fourth generations to retain semi-auto management to lead the junior staffs, blended with openness and innovative ideas.
<table>
<thead>
<tr>
<th>Generation</th>
<th>First Generation</th>
<th>Second Generation</th>
<th>Second Generation</th>
<th>Enterprise Development</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Marketing: Distribution targeted at household and local restaurant where served the steamed dish.</td>
<td>Marketing: New distribution channel targeted overseas market and hotel chain in Overseas China and UAE countries.</td>
<td>Strategy: Moderately involved in N&amp;D to innovate &amp; knowledge management, and improved production capabilities to facilitate Malaysia specialities such as Yee Sang and Dim Sum to stay uniqueness and competitive dynamic in global marketplace.</td>
<td>Enterprise Development: Frequently upgraded products, keeps abreast with technological advancement because sauces and frozen food specialises networked with China, Hong Kong, and UAE countries.</td>
</tr>
<tr>
<td>Objective</td>
<td>First Generation</td>
<td>Objective: Produced core product represented the Malaysia localised food and Malaysia specialities to achieve recognition in the global arena.</td>
<td>Objective: Under founder’s heir who was educated well and giving full autonomy to their managerial staff explored new opportunities and new ideas blended with staff’s personal experience.</td>
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<tr>
<td></td>
<td>Management: Family member management over one of the oldest son handled daily production from ordered by phone to the distributed by lorry.</td>
<td>Management: Family member management.</td>
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<td></td>
<td>First Generation</td>
<td>Malaysia restaurant and hotel chain</td>
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<td></td>
<td>Malaysia (Restaurant)</td>
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<td>Local distribution:</td>
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<td>Household</td>
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<td>Purchased</td>
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<td>School Canteen</td>
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<td>Hawker centre</td>
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<td>Food court</td>
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<td>Shopping Complex food court center</td>
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<td></td>
<td>Kum Thim Home based business</td>
<td>Kum Thim Sauces Company</td>
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<tr>
<td></td>
<td>- Home based sauces production</td>
<td>- Moved from home based to shop lots equipped with high technology</td>
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<td></td>
<td></td>
<td>Kum Thim (Household)</td>
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<td>Kum Thim (Restaurant)</td>
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<td>Kum Thim Group of Companies</td>
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<td></td>
<td>Kum Thim Foods</td>
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<tr>
<td></td>
<td>- Sauce products (Soy sauce, Chili sauce, oyster sauce, vinegar, sesame oil and lemon sauce)</td>
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<tr>
<td></td>
<td>- Yee Sang Foods</td>
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<td>Jiang’s Group (China)</td>
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<td>- China and Hong Kong style sauces (Halal and Non-Halal based)</td>
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<td>A &amp; K Food Industries</td>
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<td></td>
<td></td>
<td>- Dim Sum and frozen foods based on Malaysia local style</td>
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<td>Thye Wooh Sauces</td>
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<td></td>
<td></td>
<td>- Food processing for halal and non-halal sauce</td>
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<td></td>
<td></td>
<td>- Yee Sang preparation (vegetable dishes and Yee Sang sauces)</td>
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</tbody>
</table>

193
| D. KLT Food Industries  
(Medium Scale Enterprise)  
(1972-2011) | First Generation  
(Objective)  
|---|---|
| Developing Malaysia successful restaurant keep focused on Hong Kong style cuisine and introduced into Malaysia food industry. | First Generation  
Strategy: As pioneer, providing Malaysia leading of KLT food and Dim Sum lover. |
| First Generation  
|---|---|
| Marketing: Distribution targeted on local community who was Hong Kong food and Dim Sum lover. | First Generation  
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Manufacturing: Equipped with previous working hand-on experience in making Hong Kong Dim Sum and mooncakes.</td>
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</tbody>
</table>
| Management: Family members under founder's management with his wife and colleagues who was working in the restaurant to run efficiently in the restaurant and catering service. | First Generation  
Enterprise Development: |
<table>
<thead>
<tr>
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<tbody>
<tr>
<td></td>
<td>Frequently purchased new premises with modern equipment to be the pioneer in Dim Sum restaurant chain and later proceed to food processing.</td>
</tr>
</tbody>
</table>
| Survival Stage | Loy Kee Dim Sum Restaurant  
(Central Market)  
Produced Hong Kong Dim Sum |
|---|---|
| Second Generation  
(Objective)  
|---|---|
| Promoted Malaysia culinary and Asian fabulous food derived from KLT, new menu and mooncakes | Second Generation  
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Marketing: New distribution channel shifted from KLT Dim Sum restaurant business to the food processing targeted for export trading.</td>
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<tr>
<td>Manufacturing: Equipped with quality manufacturing machine to produce processed foods to be used in restaurant and catering service.</td>
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</tbody>
</table>
| Management: Family members under founder's sons to manage the family business. Son assigned to manage food processing and create new menu for the catering and wedding dinner while daughter assigned to manage restaurant operation. | Second Generation  
<table>
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<tbody>
<tr>
<td>Enterprise Development:</td>
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<tr>
<td></td>
<td>Frequently upgraded products, keeps abreast with technological advancement to create new fusions and align with the changing demand or trends of Malaysia food lovers.</td>
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<tr>
<td>Renewal Stage</td>
<td>Kum Lai Tai Group of Company</td>
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<td>---</td>
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</tr>
</tbody>
</table>
| | Kum Lai Tai  
(Dim Sum)  
- Chinese tea and desserts  
- Fried crispy side dishes  
- Noodles  
- Mooncakes |
| | | Kum Lai Tai  
(Restaurant)  
- Customer cuisine  
- Dining services  
- Wedding dinner  
- Company annual dinner |
| | | Restaurant business  
- Kum Lai Tai  
- Peeling & King  
- Jai Damana and Jaya Palace  
- Twintel Venture (Asia)  
| | Catering service  
- Guardian Catering & Restaurant Sdn Bhd  
| | Food processing  
- KLT Food Industries  
- Noodle House  
- - Japanese restaurant  
- - Noodle house  
- - Super Noodle house  
- - Malaysian restaurant  
<p>| |
| |</p>
<table>
<thead>
<tr>
<th>Red Horse (Small Scale Enterprise) (1964-2011)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>First Generation</strong></td>
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<tr>
<td><strong>Objective</strong></td>
</tr>
<tr>
<td>Leading manufacturer of concentrate juice cordials focused on Malaysia's tropical fruit flavors</td>
</tr>
<tr>
<td><strong>Existence Stage</strong></td>
</tr>
<tr>
<td>![Image of stage 1]</td>
</tr>
<tr>
<td><strong>Survival Stage</strong></td>
</tr>
<tr>
<td>![Image of stage 2]</td>
</tr>
<tr>
<td><strong>First Generation</strong></td>
</tr>
<tr>
<td><strong>Marketing</strong></td>
</tr>
<tr>
<td>Distribution targeted on Malaysia's local convenience store and government bodies</td>
</tr>
<tr>
<td><strong>Manufacturing</strong></td>
</tr>
<tr>
<td>Ill-equipped with up-to-date machines and focused only on meeting requests by customers, referring to farmers</td>
</tr>
<tr>
<td><strong>Management</strong></td>
</tr>
<tr>
<td>Led by a husband and wife, while children handle daily tasks as temporarily worker or helper during school holiday to practice hard on working experience</td>
</tr>
</tbody>
</table>

| Second Generation (Objective)               |
| Pioneering and customizing fruit juice cordials to enhance private labeling catering export trading |
| **Success Stage**                           |
| ![Image of stage 3]                         |
| **Renewal Stage**                           |
| ![Image of stage 4]                         |

| First Generation                            |
| **Strategy**                                |
| Less likely to promote organizational capabilities but introduced manufacturing protocols in producing tropical fruit cordials |
| Every staff followed rules and regulations to be a pioneering leading brand of fruit juice industry in Malaysia |

| First Generation Enterprise Development     |
| Less likely to acquire new premises or establish subsidiaries. Prefer to specialize in producing concentrate juice cordials and retain old customers |

| Red Horse Van Selling (Home Based)          |
| Red Horse Juice Manufacturer 3dn Bhd        |
| - Produced squashes, cordials and syrups based on Malaysia's tropical fruit flavors |

| Red Horse (Convenience Store)               |
| Distribution Channel                        |
| - Convenience Store                          |
| - Sunday Shop                                |
| - Market                                    |
| - Mini Mart                                  |
| - Mini Supermarket                           |

| Red Horse (Governmental Private)             |
| Distribution Channel                        |
| - School canteen                             |
| - Food stalls                                |
| - Government bodies                         |
| - Food catering                              |
| - Restaurant                                |

| Hoo Nyet Sin & Sons Reality                  |
| - Rental collection on purchased premises   |
| - Investment holding                        |

| Enterprise Development                      |
| Less likely to upgrade, though strongly influenced by UAE's Halal market standards, keeps abreast with technological advancements and emphasized on hygiene and safety product packaging to enhance private labeling as an export trading |

| Red Horse Group of Companies               |
| Red Horse Fruit Juice                      |
| - Red Horse fruit juice cordials           |
| - Show's fruit juice cordials              |
| - OEM fruit juice cordials                 |

<p>| B &amp; P Fruit Juice Cordials                 |
| - Ninos Fruit Juice Cordials               |
| - Keep's trademark                         |</p>
<table>
<thead>
<tr>
<th>Generation</th>
<th>Objective</th>
<th>Marketing</th>
<th>Manufacturing</th>
<th>Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>Produced traditional herbal drinks and ventured into instant beverages on Ipoh white coffee.</td>
<td>Established shop lot and produced traditional herbal drinks and ventured into instant packaging on Ipoh white coffee.</td>
<td>Equipped with previous machines in producing herbal drinks and transformed into roasting coffee bean and breeding techniques.</td>
<td>Family member under founder leadership came with sibling partnership and each brother monitored the business operation as store or shop assistant.</td>
</tr>
<tr>
<td>Second</td>
<td>Leading manufacturer of Hei Hwang instant Coffee series and health drinks to create healthy lifestyle.</td>
<td>Mainly distributed the Hei Hwang products to the overseas Chinese market in Northeast Asia.</td>
<td>Equipped with roasted technology to produce Hei Hwang instant coffee and health supplements.</td>
<td>Elder brother monitored local market and younger brother monitored China subsidiaries in contract farming and export trading to innovate supply chain management.</td>
</tr>
</tbody>
</table>

**Hei Hwang Food Industries (M) Sdn Bhd**
- Produced traditional herbal drinks
- Produced instant Ipoh coffee series and instant health drinks

**Hei Hwang Food Industries (Distributor & Dealership)**
- Local distributor in Malaysia
- China sole distributor
- Singapore sole distributor

**Hei Hwang Food Industries (Ipoh Based)**
- Established local processing plant in Ipoh

**Hei Hwang Food Industries (Singapore)**
- Established local processing plant in Singapore
- Exported processed food to Malaysia from China

**Dayo Food Industries (Ipoh Based)**
- Produced instant Ipoh white coffee.
16. Eng Hup Seng
(Small Scale Enterprise)
(1987-2011)

First Generation
(Objective)
Produce sesame oil
adapted/traditional
production from the founder's
previous experience when
removed from China to
Malaya

Existence Stage

- First Generation
  Marketing: Distribution
  to targeted end-users, thus
  rely on the customer who
  was stayed around.

- First Generation
  Manufacturing: Equipped
  with up-to-date
  machinery and focused
  on the natural fermentation
  process solely decided by
  the founder from the picking
  up to the production and
  distribution stage.

- First Generation
  Enterprise Development:
  Less likely to acquire new
  premises or
  established subsidiaries.
  Preferred to focus on
  maintaining the
  existing business.

- First Generation
  Management: Family
  members are
  involved in the
  management,
  including the
  founder's son.

- First Generation
  Strategy: Less likely to
  introduce new
  products or
  strategies.

Second Generation
(Objective)

- Second Generation
  Marketing: Distribute
  private-labeled
  products to
  supermarkets.

- Second Generation
  Manufacturing: Equipped
  with advanced
  machinery and
  processes.

- Second Generation
  Enterprise Development:
  More oriented towards
  expansion.

- Second Generation
  Management: Family
  members are
  involved in the
  management,
  including the
  founder's son.

- Second Generation
  Strategy: More likely to
  introduce new
  products or
  strategies.

Eng Hup Seng Sesame oil (Home-based)
- Produced sesame oil and sauces

Eng Hup Seng Sesame oil and Sauces
- Produce a series of sesame oil and sauces
  in different brands to enter the niche market.

Eng Hup Seng (Mother Brand)

Other Brands

- Other brands
  - Bamboo Brand Chilli
  - Sauce
  - Aromasauce
  - Oyster sauce

Eng Hup Seng Sesame oil & Sauce

Sauces delivered to
Malaysia major
supermarkets

- Nestle
- Aromasauce
- Oyster sauce

Eng Hup Seng (Private Labelling)

Sauces delivered to
larger food
processing
companies

- Lam Soon
- Sauces

Eng Hup Seng (Export)

- Distributed internationally

- Australian, New Zealand
- Europe
- Singapore
- Hong Kong

- Singapore
- Indonesia
- South Korea

Eng Hup Seng (Private Labelling)

- Private labelling
  with specific
  requirements

- Bottle design
- Metal container
- Plastic packaging
- Souvenir packaging

Eng Hup Seng Sesame oil & Sauce

Sauces delivered to
Malaysia major
supermarkets

- Nestle
- Aromasauce
- Oyster sauce

Eng Hup Seng (Private Labelling)

Sauces delivered to
larger food
processing
companies

- Lam Soon
- Sauces

Eng Hup Seng (Export)

- Distributed internationally

- Australian, New Zealand
- Europe
- Singapore
- Hong Kong

- Singapore
- Indonesia
- South Korea

Eng Hup Seng (Private Labelling)

- Private labelling
  with specific
  requirements

- Bottle design
- Metal container
- Plastic packaging
- Souvenir packaging
First Generation
Marketing: Distribution targeted to local and expatriate clientele
Manufacturing: Exports to Asian and European markets

Second Generation
Marketing: Distribution to large grocery stores and international markets
Manufacturing: Exports to global markets

Enterprise Development:
- Increase product distribution
- Expand to new markets
- Develop new products

First Generation
Strategic alliances with food companies to distribute products internationally

Second Generation
Strategic partnerships with local businesses for marketing and distribution

Enterprise Development:
- Expand into new regions
- Develop new product lines
- Increase market share

Regent Food Products (M) Sdn Bhd
- Focus on quality and branding
- Expand into new markets

Regent Food Products (Export)
- Target global markets
- Develop new product lines
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 themanufacture 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>
<thead>
<tr>
<th>Family Enterprises/ Business Nature</th>
<th>Type of Enterprise</th>
<th>Year of establishment/ Generation/ Succession</th>
<th>Marketing changes</th>
<th>Manufacturing Changes</th>
<th>Management Changes</th>
<th>Strategy (1st Generation)</th>
<th>Strategy (Next Generation)</th>
<th>Enterprise development (1st Generation)</th>
<th>Enterprise development (Next Generation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Eu Yan Sang (EYS) (Chinese Herbs)</td>
<td>Large Enterprise</td>
<td>1942-2011 (3rd Generation) (Father-Cousin)</td>
<td>From tin-mining workers to Chinese medicine practice</td>
<td>From traditional remedies to scientific approach to herbal supplements</td>
<td>From attorney management to central administrative system</td>
<td>Promoted herbal connections by opening Chinese medical halls</td>
<td>Developed therapeutic formulation for certain illnesses treatment</td>
<td>From Eu Yan Sang medical hall to Eu Yan Sang medical hall</td>
<td>From EYS to TCM clinics, property &amp; real estate and food biotechnology</td>
</tr>
<tr>
<td>2. Khong Guan (Biscuits)</td>
<td>Large Enterprise</td>
<td>1937-2011 (3rd Generation) (Father-Nephew)</td>
<td>From Chinese market to non-Chinese market</td>
<td>From old metal scrap to Australia Arnotts biscuit formulation</td>
<td>From hiring staff from China to professional management</td>
<td>Promoted businesses related to primary trade</td>
<td>Developed Asian brand to serve Western market</td>
<td>From biscuits to Western market</td>
<td>From biscuits to Asian food</td>
</tr>
<tr>
<td>3. London Biscuit (Biscuits)</td>
<td>Large Enterprise</td>
<td>1994-2011 (2nd Generation) (Father-Son)</td>
<td>From kid's corn snack to instant brand confectionery</td>
<td>From savoury corn snacks to instant twist packaging technology</td>
<td>From family management to CEO/CEO management</td>
<td>Promoted acquiring strategy to master technology</td>
<td>Developed Malaysia's largest instant confectionery for export</td>
<td>From snack foods to multiple confectionery</td>
<td>From local corn snacks to integrated instant food</td>
</tr>
<tr>
<td>4. Tatawa (Biscuits)</td>
<td>Medium Enterprise</td>
<td>1981-2011 (2nd Generation) (Father-Nephew)</td>
<td>From wedding cakes to Japan biscuits</td>
<td>From wedding cake mould to export-based biscuit production</td>
<td>From family pastries house to Tatawa management</td>
<td>Promoted customised order strategy upon request for export</td>
<td>Developed food technology to explore niche market</td>
<td>Upgraded to CRM biscuit to run from generational shadow</td>
<td>From Tatawa joint venture with sister company</td>
</tr>
<tr>
<td>5. King's Confection (Cakes &amp; Breads)</td>
<td>Medium Enterprise</td>
<td>1977-2011 (2nd Generation) (Father-Daughter-Son)</td>
<td>From hawkers/food corner to confectionery &amp; lifestyle café retailing</td>
<td>From home-based oven bakeries to bakeries and pastries technology</td>
<td>From daughter's bakeries production to son's retailing management</td>
<td>Promoted Homonese style pastries and bakeries</td>
<td>Developed retailing and franchising confectionery and lifestyle café</td>
<td>From hawker stall to King's pastries retail chain</td>
<td>From King's outlet to franchising with Tesco</td>
</tr>
<tr>
<td>6. Laksmi Usha (Noodles)</td>
<td>Medium Enterprise</td>
<td>1975-2011 (2nd Generation) (Father-Son-Daughter)</td>
<td>From ethnic enterprise in Malaysia to halal Chinese food</td>
<td>From hand-made noodles production to introduction of steam technology</td>
<td>From family involvement to partnership with Mayas and Thais</td>
<td>Promoted prompt delivery by van selling and cash on delivery</td>
<td>Developed Cleanest halal-based noodle production in Malaysia</td>
<td>From home-based noodles production to warehouse production</td>
<td>From noodle production to halal-based noodle expert</td>
</tr>
<tr>
<td>7. TPC Plus (Igg)</td>
<td>Large Enterprise</td>
<td>1975-2011 (2nd Generation) (Brother-Cousin)</td>
<td>From food operation chain to biotechnology</td>
<td>From poultry farming to house R&amp;D facilities</td>
<td>From Yee family to Lee family ownership</td>
<td>Promoted Wawaco eggs supply to McDonald's</td>
<td>Developed integrated poultry farm ventured into biotechnology</td>
<td>From own farming to contract farming</td>
<td>From poultry farming to organic vinegar farm</td>
</tr>
<tr>
<td>8. Vit Makanan (Noodles)</td>
<td>Medium Enterprise</td>
<td>1975-2011 (2nd Generation) (Father-Son)</td>
<td>From Taiwanese food to UK Tenno chain</td>
<td>From oil fried to air dried instant noodles production</td>
<td>From founder leadership to cyber virtual management</td>
<td>Promoted Malaysian authentic style instant noodle</td>
<td>Developed supply chain halal-based BMFL foods</td>
<td>From small premises to large noodles warehousing</td>
<td>From Vit's instant food to global export of halal food</td>
</tr>
<tr>
<td>9. Bescomac (Chinese Herbs)</td>
<td>Medium Enterprise</td>
<td>1948-2011 (3rd Generation) (Father-Son-Nephew)</td>
<td>From local TCM to overseas Chinesemarket</td>
<td>From traditional herb remedies to essence health supplements</td>
<td>From traditional to combined East and West management</td>
<td>Promoted physician and herb remedies to local community</td>
<td>Developed herb remedies with scientific approach</td>
<td>From herbal shop to clinical medical hall</td>
<td>From herbal essence to health tourism gifts shop</td>
</tr>
<tr>
<td>Family Enterprises/ Business Nature</td>
<td>Type of Enterprise</td>
<td>Year of establishment/ Generation/ Succession</td>
<td>Marketing changes</td>
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</tr>
<tr>
<td>10 Baker Cottage (Bakeries)</td>
<td>Large Enterprise</td>
<td>1994-2011 (3rd Generation) (Father-Son)</td>
<td>From chicken farming operation to integrated food processing</td>
<td>From family involvement to business management</td>
<td>Promoted poultry farming and livestock industry</td>
<td>Developed food processing in chicken and confectionary</td>
<td>From own farming to contract farming</td>
<td>From integrated farming to bakery house</td>
<td></td>
</tr>
<tr>
<td>11 Ghee Hsing (Sesame Oil &amp; Biscuits)</td>
<td>Small Enterprise</td>
<td>1865-2011 (3rd Generation) (Father-Friends-Family)</td>
<td>From oriental pastries to oriental spot for Penang heritage food</td>
<td>From traditional recipe to biotechnology on sesame seed</td>
<td>From four family ownership to Dooi and Ching family ownership management</td>
<td>Promoted Chinese origin food culture by invigorating pastry chef from to Penang</td>
<td>Developed traditional excellence of Penang food</td>
<td>Upgraded from oriental pastries shop to sesame oil and Tiong Seng biscuit production</td>
<td>Upgraded from food production to Ghee Hsing Food and Ghee Hsing Holding</td>
</tr>
<tr>
<td>12 Khum Thim (Soy Sauce)</td>
<td>Medium Enterprise</td>
<td>1970-2011 (2nd Generation) (Father-Son)</td>
<td>From local Chinese restaurant to export chain and export trading</td>
<td>From natural fermentation to frozen food technology and production</td>
<td>From founder networking management to supply chain production</td>
<td>Developed Malaysia-based recognition of soy sauce production</td>
<td>Developed from small-scale to large-scale production</td>
<td>From small-scale to large-scale production</td>
<td>Upgraded from home-based to global production</td>
</tr>
<tr>
<td>13 KLT Food Industries (Restaurant)</td>
<td>Medium Enterprise</td>
<td>1972-2011 (2nd Generation) (Father-Son)</td>
<td>From Hong Kong food to KLT group of food production</td>
<td>From Dam Sum making to KLT dimsum, conception and processed food</td>
<td>From restaurant operator to food production and processing chain</td>
<td>Developed Hong Kong-style dimsum to Malaysia market</td>
<td>Developed KLT food production in Malaysia</td>
<td>Upgraded from harbour business to popular dimsum restaurant</td>
<td>Upgraded from harbour restaurant to KLT Food Industries</td>
</tr>
<tr>
<td>14 Red Horse (Cordials)</td>
<td>Small Enterprise</td>
<td>1962-2011 (2nd Generation) (Father-Son)</td>
<td>From local food chain to export-based food market</td>
<td>From syrup-making to Fento mechatronics in private labelling</td>
<td>From founder's protocol to more flexible dynamics</td>
<td>Promoted Red Horse concentrate juice as core product</td>
<td>Developed multiple trademarks to promote private label</td>
<td>Upgraded from van selling to fruit juice factory</td>
<td>Upgraded from juice factory to private label production</td>
</tr>
<tr>
<td>15 Hai Hong (Coffee)</td>
<td>Small Enterprise</td>
<td>1975-2011 (2nd Generation) (Father-Son)</td>
<td>From herbal practitioners to healthy lifestyle</td>
<td>From herbal remediation to instant health beverages</td>
<td>From family management to network management</td>
<td>Promoted instant Ipoh coffee to replace herbal drinks</td>
<td>Developed health drinks and contract farming</td>
<td>Upgraded from herbal to instant beverages production</td>
<td>Upgraded from instant beverages to health drinks</td>
</tr>
<tr>
<td>16 Bang Fong (Sesame Oil)</td>
<td>Small Enterprise</td>
<td>1987-2011 (2nd Generation) (Father-Son)</td>
<td>From household-scale to large-scale food processing</td>
<td>From natural fermentation to selling in bulk private labelling</td>
<td>From founder leadership to sibling partnership</td>
<td>Developed home-based traditional sesame oil production</td>
<td>Developed sauces production in different private labels</td>
<td>Upgraded from home-based to sauces production</td>
<td>Upgraded from sauces production to export-based sauces production</td>
</tr>
<tr>
<td>17 Regent Food (Peanuts)</td>
<td>Small Enterprise</td>
<td>1981-2011 (2nd Generation) (Father-Son)</td>
<td>From hawker center to food operation and export trading</td>
<td>From unhealthy baking to oven health roasted technology</td>
<td>From authoritarian leadership to outsourcing management</td>
<td>Promoted production by relying on business network</td>
<td>Upgraded from home-based food processing to export-based private label</td>
<td>Upgraded from home-based food processing to export-based private label</td>
<td>Upgraded from home-based food processing to export-based private label</td>
</tr>
</tbody>
</table>
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." Both 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.

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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41 Interview with the second generation marketing director from Tatawa, Andy Ng Yee Hui.
42 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, 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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4 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

<table>
<thead>
<tr>
<th>Size and Age of Family Enterprise</th>
<th>Generational Change in 3Ms</th>
<th>Strategic Management in 3Ms</th>
<th>Enterprise Development in 3Ms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Scale Family Enterprise Food (London Biscuit, Khong Guan, Eu Yin Sing, Baker’s Cottage and TPC iPad)</td>
<td>From First to the Next Generation</td>
<td>From First to the Next Generation</td>
<td>From First to the Next Generation</td>
</tr>
<tr>
<td>Marketing: Marketed as Asian foods such as biscuits, TCM, canned drink and food.</td>
<td>Strategy: 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.</td>
<td>Enterprise Development: 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.</td>
<td></td>
</tr>
<tr>
<td>Manufacturing: Manufactured under new technology adopted such as tetra packaging, twist wrapping with Disney character and frozen technology.</td>
<td>Management: Managed under joint ventures with Ajinomoto, British natural product, Lembuco and Arnott.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Medium Scale Family Enterprise Food (Tatiana, Kim Thai, King’s Confectionary, KLT Food, Laksamana Utara, Vit Mahakan, BenComac) | From First to the Next Generation | From First to the Next Generation | From First to the Next Generation |
| Marketing: Marketed as famous local brands such as King’s pastries, Kim Lian Tai restaurant chain, Vit’s instant noodles and Pomec essence products. | Strategy: Developed 3Ms to improve food production with market recognition such as cholesterol free King’s bakeries, herbal remedies essence, UK Tense store Halal instant noodles and Japanese Tsumi mooncake production. | Enterprise Development: Upgraded the enterprise to innovate tacit knowledge and increased lifestyle choices such as lifestyle cafe, food fusion food operation chain, tourism gift shop, Malaysian element noodles enterprise. |
| Manufacturing: Manufactured through value-added technology to achieve recognition such as clean technology, convenience frozen technology, healthy air-dried production and good manufacturing practice. | Management: Managed under stationed organization to enhance openness ideas such as CMO/CEO management, cyber virtual management and formed R&D team. |

| Small Scale Family Enterprise Food (Red Horse, Hei Hwang, Regent Food, Eng Hup Sing, Obee Hwang) | From First to the Next Generation | From First to the Next Generation | From First to the Next Generation |
| Marketing: Marketed as personalized private label to target export market such as fruit juice trademark, label, order upon request peanuts and health supplements. | Strategy: Developed 3Ms to capture bigger market with penetration through export such as Halal fruit juice for Arab countries, Southeast Asia sauces for Asian market, Pemang heritage foods for tourists. | Enterprise Development: Upgraded the enterprise to innovate tacit knowledge but still remained single product enterprise such as fruit juice vendors, producer, instant beverages specialists, and peanut expertise. |
| Manufacturing: Manufactured under private label, customization and sold-in-bulk to capture larger market such as machinations labelling, instant coffee and commercial grade sesame oil. | Management: Managed under flexibility organization to enhance flow of innovation idea away from generational shadow such as outsourcing, professional management and staff engagement. |

As indicated in Table 5.7, large and medium scale SMEs were able to introduce 204
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, Besfomce 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 Hiong, 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 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.

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 to re-strategize, renew and rejuvenate the business.”

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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*“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.

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

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>
<thead>
<tr>
<th>SME's Tacit Knowledge</th>
<th>Generational Change and Innovation Capacity</th>
<th>Strategy Management</th>
<th>Organization Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eu Yan Sang (EYS)</td>
<td><strong>First Generation</strong></td>
<td><strong>First Generation</strong></td>
<td><strong>First Generation</strong></td>
</tr>
<tr>
<td>(Large Scale Enterprise)</td>
<td>(1842-2011)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>First Generation</strong></td>
<td><strong>Skill:</strong> Interpreted and adopted Chinese</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>(Tacit Knowledge)</strong></td>
<td>remedies knowledge from China</td>
<td><strong>Strategy:</strong></td>
<td></td>
</tr>
<tr>
<td><strong>- Knowledge of Chinese physician remedies</strong></td>
<td><strong>Top-Down:</strong> Top management involved by</td>
<td><strong>Enterprise:</strong></td>
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<td></td>
<td></td>
<td></td>
<td>Established Chinese</td>
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<td>remedies medical hall</td>
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<td>and promoted</td>
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<td>healthcare</td>
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<td>diagnostic to persuade</td>
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<td>the workers</td>
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<td>consumed Yen</td>
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<td>Sang herbal connections</td>
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<td>which dates back to the</td>
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<td></td>
<td>Ming dynasty.</td>
</tr>
<tr>
<td><strong>Second Generation</strong></td>
<td><strong>Skill:</strong> Interpreted and developed tacit/</td>
<td><strong>Strategy:</strong></td>
<td><strong>Second Generation</strong></td>
</tr>
<tr>
<td><strong>(Innovation Capacity)</strong></td>
<td>knowledge herbal remedies who suffered</td>
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<tr>
<td><strong>- Established herbal connection</strong></td>
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<td><strong>Enterprise:</strong></td>
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<tr>
<td><strong>- Established medical hall</strong></td>
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<td></td>
<td><strong>Development:</strong></td>
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<tr>
<td><strong>- Converted to codify</strong></td>
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<td>Established</td>
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<tr>
<td><strong>- Converted to Eu Yan Sang</strong></td>
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<td>entrepreneur's</td>
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<td><strong>- Converted to Eu Yan Sang</strong></td>
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<td>ability to manage all</td>
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<td>the business</td>
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<td>and ventured</td>
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<td>to the properties and</td>
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<td>plantations.</td>
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<td>Opened various herbal</td>
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<td><strong>- Converted to Eu Yan Sang</strong></td>
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<td>retail shops in Malaysia.</td>
</tr>
<tr>
<td><strong>Third Generation</strong></td>
<td><strong>Skill:</strong> Interpreted tacit knowledge to</td>
<td><strong>Strategy:</strong></td>
<td><strong>Third Generation</strong></td>
</tr>
<tr>
<td><strong>- Reedifferent packaging on EYS</strong></td>
<td>adopt training and apprenticeship nurtured</td>
<td></td>
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<tr>
<td><strong>- Products to be sold at retail stores</strong></td>
<td>experienced skilled personnel</td>
<td></td>
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<tr>
<td><strong>- Established medical hall</strong></td>
<td><strong>Top-Down:</strong> Top management monitored by</td>
<td></td>
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<tr>
<td><strong>- Professional team as the largest shareholder</strong></td>
<td>professional teams</td>
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<tr>
<td><strong>- Dominant influence</strong></td>
<td><strong>FUT:</strong> Openness to ideas to redesign the</td>
<td></td>
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<tr>
<td><strong>- Products packaging to be sold at the retail outlets</strong></td>
<td>product packaging to be sold at the retail</td>
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<tr>
<td><strong>- Involvement:</strong> Lack of interest to handle family</td>
<td>outlets</td>
<td></td>
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<tr>
<td>**- Business and rely on collected dividends from their</td>
<td><strong>Third Generation</strong></td>
<td><strong>Enterprise:</strong></td>
<td></td>
</tr>
<tr>
<td><strong>- Shareholdings:</strong> Decommissioned by Lam Chang’s</td>
<td><strong>Strategy:</strong> Redesigned the products</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>- Takeover</strong></td>
<td><strong>Top-Down:</strong> Top management involved by</td>
<td>packaging and setup</td>
<td></td>
</tr>
<tr>
<td><strong>- Current executive lead by professional assistant</strong></td>
<td>Lam Chang and each top executive lead by</td>
<td>central purchasing center</td>
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<tr>
<td><strong>- New outlet will be opened in strategic location</strong></td>
<td>professional assistant</td>
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<tr>
<td><strong>- New outlet will be opened in strategic location</strong></td>
<td><strong>Upcoming Generation</strong></td>
<td><strong>Strategy:</strong></td>
<td></td>
</tr>
<tr>
<td><strong>- New outlet will be opened in strategic location</strong></td>
<td><strong>Promoted</strong> traditional Chinese medicine (TCM)</td>
<td></td>
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<tr>
<td><strong>- New outlet will be opened in strategic location</strong></td>
<td><strong>as Asian medical practice to grow as</strong></td>
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<tr>
<td><strong>- New outlet will be opened in strategic location</strong></td>
<td><strong>global TCM healing company. Appeal to the</strong></td>
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<tr>
<td><strong>- New outlet will be opened in strategic location</strong></td>
<td><strong>non-Chinese market particularly in the</strong></td>
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<tr>
<td><strong>- New outlet will be opened in strategic location</strong></td>
<td><strong>west to adopt scientific</strong></td>
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<tr>
<td><strong>- New outlet will be opened in strategic location</strong></td>
<td><strong>approach medical treatment</strong></td>
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<tr>
<td><strong>- New outlet will be opened in strategic location</strong></td>
<td><strong>Upcoming Generation</strong></td>
<td><strong>Strategy:</strong></td>
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<td><strong>approach medical treatment</strong></td>
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<tr>
<td>Generation</td>
<td>Enterprise Development</td>
<td>Strategy</td>
<td>Skills</td>
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<tr>
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</tr>
<tr>
<td>First Generation</td>
<td>Established own biscuit production line in Southeast Asia embedded with local food culture by own engineering outfit</td>
<td>Promoted different types of business trading from the accumulated experience during post-war period</td>
<td>Interpreted and adopted biscuit production from the accumulated experience during post-war period</td>
</tr>
<tr>
<td>Second Generation</td>
<td>Promoted entrepreneur dynamism enterprise to establish own flour milling, shipping, manufacturing, trading, commodities and property related to the primary trade</td>
<td>Extended innovations to introduce Khoong Guan's supply chain management and owned flour milling, transportation agent and property agent to achieve recognition in the local marketplace</td>
<td>Interpreted tacit knowledge to introduce flour milling technology in producing own trademark of K3 biscuits</td>
</tr>
<tr>
<td>Third Generation</td>
<td>Established 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</td>
<td>Introduced mass market chains like Safeway, Lucky's, and Costco in USA</td>
<td>Interpreted tacit knowledge in line with globalization trends referred to different food culture in the global marketplace</td>
</tr>
</tbody>
</table>

**First Generation**
- **Enterprise Development**: Established own biscuit production line in Southeast Asia embedded with local food culture by own engineering outfit.
- **Strategy**: Promoted different types of business trading from the accumulated experience during post-war period.
- **Skills**: Interpreted and adopted biscuit production from the accumulated experience during post-war period.

**Second Generation**
- **Enterprise Development**: Extended innovations to introduce Khoong Guan's supply chain management and owned flour milling, transportation agent and property agent to achieve recognition in the local marketplace.
- **Strategy**: Extended innovations to introduce Khoong Guan's supply chain management and owned flour milling, transportation agent and property agent to achieve recognition in the local marketplace.
- **Skills**: Interpreted tacit knowledge to introduce flour milling technology in producing own trademark of K3 biscuits.

**Third Generation**
- **Enterprise Development**: Established 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.
- **Strategy**: Introduced mass market chains like Safeway, Lucky's, and Costco in USA.
- **Skills**: Interpreted tacit knowledge in line with globalization trends referred to different food culture in the global marketplace.
<table>
<thead>
<tr>
<th>3. London Biscuit (Large Scale Enterprise) (1994-2011)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>First Generation</strong></td>
</tr>
<tr>
<td><strong>Task Knowledge</strong></td>
</tr>
<tr>
<td>Knowledge and experience accumulated when involved</td>
</tr>
<tr>
<td>in different business activities.</td>
</tr>
<tr>
<td><strong>Create the Concept</strong></td>
</tr>
<tr>
<td>- Acquired food SMEs to master in the snack food</td>
</tr>
<tr>
<td>production to enhance knowledge transfer.</td>
</tr>
<tr>
<td><strong>Second Generation</strong></td>
</tr>
<tr>
<td><strong>(Convert to codify)</strong></td>
</tr>
<tr>
<td>- Converted into instant and convenience confectionery</td>
</tr>
<tr>
<td>such as roll cake and candies to explore export</td>
</tr>
<tr>
<td>trading.</td>
</tr>
<tr>
<td><strong>Innovation Capacity</strong></td>
</tr>
<tr>
<td>- Redesign packaging with Disney character to turn</td>
</tr>
<tr>
<td>London Biscuit into instant and convenience</td>
</tr>
<tr>
<td>confectionery in Southeast Asia.</td>
</tr>
<tr>
<td><strong>Enterprise Development</strong></td>
</tr>
<tr>
<td>- Extended into Southeast Asia biggest cake roll</td>
</tr>
<tr>
<td>production and penetrated into global Halal market.</td>
</tr>
</tbody>
</table>

| **First Generation**                                |
| **Skills**                                           |
| Interpreted and adopted family background in timber  |
| trading and later ventured into food industry.       |
| **Top Down**                                         |
| Top management under founder's leadership           |
| introduced western management when he studied and   |
| worked at Singapore.                                 |
| **PUE**                                              |
| Openness to ideas and acquisition strategy to learn  |
| the food technology.                                 |
| **Involvement**                                      |
| Established Liew's family business and assigned the  |
| family members to involve in the higher position in  |
| sales and marketing.                                |

| **Second Generation**                                |
| **Skills**                                           |
| Interpreted task knowledge from corn based snack    |
| food technology to the Disney character licensing    |
| twist wrap packaging in the convenience food        |
| category.                                           |
| **Top Down**                                         |
| Top management under Liew's sibling partnership lead |
| by Chief Executive Officer (CEO), Chief Finance      |
| Officer (CFO) and Chief Operating Officer (COO).     |
| **PUE**                                              |
| Openness to ideas and acquired more food production  |
| SMEs in egg, poultry, candies and confectioneries    |
| related to the primary trade.                        |
| **Involvement**                                      |
| Retained Liew's sibling partnership between brothers |
| and sister who assigned into external and internal   |
| operation in professional food corporation.         |

| **First Generation**                                |
| **Strategy**                                        |
| The founder utilised 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.      |

| **Second Generation**                                |
| **Strategy**                                        |
| 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.                             |

| **Enterprise**                                       |
| **Development**                                     |
| Established Lumbino 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 theme park and European countries.       |
**First Generation**

**Tact knowledge**
- Established OEM biscuit production to target from Japan to export countries with different culture practices.

**Strategy**
- Established OEM biscuit production mostly Japan after the government placed effort to promote trade in 1981.

**Enterprise Development**
- Established international recognized export based biscuit production and partnership with Yong Sheng Confectionery gift shop.

**Innovation Capacity**
- Converted biscuit production and utilized OEM experience to produce own brand products such as Tianje mooncakes.

**Top Down**
- Top management under founder's leadership with his brothers and worked at the flagship shop. Mostly consists of old staffs who served the shop for long time.

**PUT**
- Openness to ideas and expanded into OEM biscuit production mostly Japan.

**Involvement**
- Engaged some of the experience pastries from previous old flagship shop.

---

**Second Generation**

**Formalize tacit knowledge**
- Established OEM biscuit production based on stringent food requirement in the global market.

**Strategy**
- Extended to formealize tacit knowledge and implemented stringent quality control and laboratory tests to meet the requirement from worldwide market.

**Enterprise Development**
- Established Tianje Confectionery gift shop to create food fusion between traditional and trendy pastries production.

**Skills**
- Interpreted and adapted traditional pastries into OEM biscuit production.

**Top Down**
- Top management under uncle with his nephew and niece leadership to monitor the domestic and international business.

**PUT**
- Openness ideas promoted in house R & D in food technology to achieve numerous awards and recognition.

**Involvement**
- Retained uncle with nephew and niece partnership and appointed them as one of the marketing and production director helped to explore export trading.
<table>
<thead>
<tr>
<th>Enterprise Development</th>
<th>First Generation Part I</th>
</tr>
</thead>
<tbody>
<tr>
<td>Established franchise business to enforce business partnership with Teresa stores and other larger food industry to become most recognized King’s confectionery and lifestyle café enhanced business partnership from time to time.</td>
<td>First Generation Part I</td>
</tr>
<tr>
<td><strong>Skill</strong></td>
<td>First Generation Part I</td>
</tr>
<tr>
<td>Interpreted tacit knowledge from the bakers and pastries production to introduce traditional Hainan food production promoted Pak Hainan lifestyle café.</td>
<td>First Generation Part I</td>
</tr>
<tr>
<td><strong>Top Down</strong></td>
<td>First Generation Part I</td>
</tr>
<tr>
<td>Top management shifted from Madam Wong’s leadership to LH Wong’s emphasis on business franchising.</td>
<td>First Generation Part I</td>
</tr>
<tr>
<td><strong>P&amp;L</strong></td>
<td>First Generation Part I</td>
</tr>
<tr>
<td>Openness ideas promoted in house IT &amp;D and OEM food production targeted surface industry and food processing industry.</td>
<td>First Generation Part I</td>
</tr>
<tr>
<td><strong>Involvement</strong></td>
<td>First Generation Part I</td>
</tr>
<tr>
<td>Engaged inking’s confectionery and Pak Hainan café business franchising with OEM capability.</td>
<td>First Generation Part I</td>
</tr>
<tr>
<td><strong>Strategy</strong></td>
<td>First Generation Part I</td>
</tr>
<tr>
<td>Extended innovation capacity restructured into new business opportunities from hawkers style café to King’s confectionery retail chain and lastly into Pak Hainan lifestyle café enhanced business partnership from time to time.</td>
<td>First Generation Part I</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Enterprise Development</th>
<th>First Generation Part II</th>
</tr>
</thead>
<tbody>
<tr>
<td>Established franchise business to enforce business partnership with Teresa stores and other larger food industry to become most recognized King’s confectionery and lifestyle café enhanced business partnership from time to time.</td>
<td>First Generation Part II</td>
</tr>
<tr>
<td><strong>Skill</strong></td>
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<tr>
<td><strong>Involvement</strong></td>
<td>First Generation Part II</td>
</tr>
<tr>
<td>Engaged inking’s confectionery and Pak Hainan café business franchising with OEM capability.</td>
<td>First Generation Part II</td>
</tr>
<tr>
<td><strong>Strategy</strong></td>
<td>First Generation Part II</td>
</tr>
<tr>
<td>Extended innovation capacity restructured into new business opportunities from hawkers style café to King’s confectionery retail chain and lastly into Pak Hainan lifestyle café enhanced business partnership from time to time.</td>
<td>First Generation Part II</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Enterprise Development</th>
<th>Second Generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Established franchise business to enforce business partnership with Teresa stores and other larger food industry to become most recognized King’s confectionery and lifestyle café enhanced business partnership from time to time.</td>
<td>Second Generation</td>
</tr>
<tr>
<td><strong>Skill</strong></td>
<td>Second Generation</td>
</tr>
<tr>
<td>Interpreted tacit knowledge from the bakers and pastries production to introduce traditional Hainan food production promoted Pak Hainan lifestyle café.</td>
<td>Second Generation</td>
</tr>
<tr>
<td><strong>Top Down</strong></td>
<td>Second Generation</td>
</tr>
<tr>
<td>Top management shifted from Madam Wong’s leadership to LH Wong’s emphasis on business franchising.</td>
<td>Second Generation</td>
</tr>
<tr>
<td><strong>P&amp;L</strong></td>
<td>Second Generation</td>
</tr>
<tr>
<td>Openness ideas promoted in house IT &amp;D and OEM food production targeted surface industry and food processing industry.</td>
<td>Second Generation</td>
</tr>
<tr>
<td><strong>Involvement</strong></td>
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<td>Extended innovation capacity restructured into new business opportunities from hawkers style café to King’s confectionery retail chain and lastly into Pak Hainan lifestyle café enhanced business partnership from time to time.</td>
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<tr>
<td>First Generation (1978-2011)</td>
<td>First Generation</td>
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<tr>
<td>-----------------------------</td>
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</tr>
<tr>
<td><strong>Tact knowledge</strong></td>
<td><strong>Skill</strong></td>
</tr>
<tr>
<td>Knowledge traditional noodles preparation adopted from Fujian, China</td>
<td>Interpreted and adopted traditional hand-made noodles production</td>
</tr>
<tr>
<td><strong>Create the concept</strong></td>
<td><strong>Top Down</strong></td>
</tr>
<tr>
<td>Established noodles production specialties based on Malaysia authentic style.</td>
<td>Top management lead by founder’s wife and his siblings involved in home-based noodles production run by the relatives</td>
</tr>
<tr>
<td><strong>Second Generation (Convert to codify)</strong></td>
<td><strong>Innovation Capacity</strong></td>
</tr>
<tr>
<td>Converted into clearest noodles specialties production in nice packaging</td>
<td>Redesigned packaging and produced food ingredients based on Malaysia authentic cooking style</td>
</tr>
<tr>
<td><strong>Enterprise Development</strong></td>
<td>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 product to the Chinese Muslim restaurant chain in Malaysia.</td>
</tr>
<tr>
<td>Established as Malaysia clearest noodles production with Halal certified appointed as noodles supplier in Malaysian Chinese Muslim restaurant chain</td>
<td>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 product to the Chinese Muslim restaurant chain in Malaysia.</td>
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<tr>
<td><strong>Skill:</strong> Interpreted and adopted traditional poultry operation into integrated egg's poultry.</td>
<td></td>
</tr>
<tr>
<td><strong>Top Down:</strong> 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.</td>
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<tr>
<td><strong>FTU:</strong> Openness to ideas and produced quality eggs for fast food retail chain in Malaysia.</td>
<td></td>
</tr>
<tr>
<td><strong>Involvement:</strong> The family members started to conduct networking with food operation chain and government authorities to increase production capabilities.</td>
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<tbody>
<tr>
<td><strong>Skill:</strong> Interpreted traditional knowledge from poultry farming to agriculture activities and ventured into biotechnology to produce enzyme vinegar.</td>
</tr>
<tr>
<td><strong>Top Down:</strong> Top management changed from Yee to Liew's family leadership after sold it to Lobinsco and Huat Lai.</td>
</tr>
<tr>
<td><strong>FTU:</strong> Openness to ideas and targeted multiple distribution channel started from fast food restaurant chain to confectionary and biotechnology.</td>
</tr>
<tr>
<td><strong>Involvement:</strong> 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.</td>
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<tbody>
<tr>
<td>Established Yee family owned of Teck Ping Chion agricultural enterprise and ventured into poultry farming, animal feeds, property, and realty investment. Moved from second bond to the main board of public listed company.</td>
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<tr>
<td>Changed from Yee's family enterprise to under subsidiary from Lobinsco and Huat Lai. Established Maple Leaf organic food introduced enzyme vinegar adopted from Taiwanese technology and slowly implemented in Malaysia.</td>
</tr>
<tr>
<td>First Generation</td>
</tr>
<tr>
<td>------------------</td>
</tr>
<tr>
<td><strong>Skill</strong>: Interpreted and adopted Taiwanese food trading experience and ventured into instant noodles production. <strong>Top Down</strong>: Top management led under founder leadership and elderly staff with closer relationship with founder normally placed at the upper management. <strong>PUI</strong>: Openness to ideas and referred to the different Taiwanese products focused in instant noodles production captured from Malaysia market to the global marketplace. <strong>Involvement</strong>: The founder engaged the staff’s to shift from food trading to the noodles production and spent time to understand the production operation adopted from high technology.</td>
</tr>
</tbody>
</table>
First Generation

**Enterprise**

*Bestherb (Medium Scale Enterprise)*

**(1949-2011)**

**First Generation**

**Tacit Knowledge**

- Knowledge of physician herbal remedies in Chinese medicine

**First Generation**

**Skill**

- Interpreted and adopted physician herbal remedies in Chinese medicine

**Top Down**

- Management under founder leadership and hired herbalist from physician (top) to herbalist assistant (middle) and labour (down management)

**FUE**

- Openness ideas to make use of Chinese moral values, Yin and Yang, and physician knowledge to introduce herbal remedies

**Involvement**

- The founder practice Chinese moral values by combining knowledge from the herbalist and involved in the medical hall operation.

**First Generation**

**Strategy**

- The founder established Chinese herbal shop adopted from accumulated knowledge and experience as herbalist to provide medical service to the local Chinese community in Malaysia.

**First Generation**

**Enterprise Development**

- Established Chinese herbal shop with physician service targeted local Chinese community in Malaysia to provide herbal remedies for general well-being.

Second Generation

**Second Generation**

**Skill**

- Interpreted tacit knowledge from herbal remedies to essence health foods

**Top Down**

- Top management replaced with founder's son. Top position always depended on elder age and sons usually assigned in production, marketing and distribution.

**FUE**

- Openness ideas align with the government efforts to produce local made health supplements in essence products.

**Involvement**

- Lua family members mostly involved in the subsidiaries from herbal trading to packaging, logistic and property investment.

**Second Generation**

**Strategy**

- 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.

**Second Generation**

**Enterprise Development**

- Established food industries to produce Bensecons' essence products combined with traditional knowledge in herbal remedies and essence foods from herbal to achieve recognition in the marketplace.

Third Generation

**Third Generation**

**Skill**

- Interpreted tacit knowledge from essence health supplements combined with western based pharmaceutical.

**Top Down**

- Top management under founder's grandchildren replaced herbalist at the top position to the pharmacist working teams.

**FUE**

- Openness ideas promoted R & D in health supplements and introduced tourism by referring Malaysia health gift shop concept.

**Involvement**

- The next generation involved in the scientific approach R & D combined traditional herbal remedies into scientific traditional Chinese medicine.

**Third Generation**

**Strategy**

- 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.

**Third Generation**

**Enterprise Development**

- Established Bensecons group of companies with France's trademark to turn from herbal shop to the essence manufacturer and Malaysia gift shop as tourist popular spot.
<table>
<thead>
<tr>
<th>Generation</th>
<th>Enterprise Development</th>
<th>Strategy</th>
<th>Enterprise Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Generation</td>
<td>Established integrated poultry chick farming and promoted contract farming in Malaysia to distribute into large consumer countries such as Singapore and Philippines.</td>
<td>Promoted vertical integration strategy in all facets of chicken business.</td>
<td>Established integrated poultry chick farming and promoted contract farming in Malaysia to distribute into large consumer countries such as Singapore and Philippines.</td>
</tr>
<tr>
<td>Second Generation</td>
<td>Established vertical integrated poultry chick farming and ventured R &amp; D in biotechnology to achieve recognition.</td>
<td>Interpreted and adopted knowledge from poultry farming to layer framing and focused R &amp; D by adding value in producing poultry medicare and vitamins.</td>
<td>Established vertical integrated poultry chick farming and promoted contract farming in Malaysia to distribute into large consumer countries such as Singapore and Philippines.</td>
</tr>
<tr>
<td>Third Generation</td>
<td>Developed and ventured into retail chain bakeries house and cafe.</td>
<td>Interpreted and adopted knowledge from poultry farming to layer framing and ventured R &amp; D in biotechnology and food processing.</td>
<td>Developed and ventured into retail chain bakeries house and cafe.</td>
</tr>
<tr>
<td>Third Generation</td>
<td>Established retail business chain of bakeries house and cafe and introduced newly hot sell mooncakes products and became most branded mooncakes enterprise in Malaysia.</td>
<td>Established retail business chain of bakeries house and cafe and introduced newly hot sell mooncakes products and became most branded mooncakes enterprise in Malaysia.</td>
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</table>
I. Ghee Hsiang
(Small Scale Enterprise) (1965-2011)

First Generation
(Tacit knowledge)
- Knowledge of oriental pastries and sesame oil production

Creation of concept
- Established oriental pastries and sesame oil flagship store in Penang, Ghee Hsiang.

First Generation
Skill: Interpreted and adopted knowledge in traditional oriental pastries and sesame oil production.
Top Down: Top management under founder's leadership by moving pastry chef from China to produce oriental pastries and sesame oil.
PU: Openness ideas and traced back to the traditional recipe in pastries and sesame oil to serve Chinese community in Penang.
Involvement: The founder with his wife and pastry chefs from China to involve in the ethnic based flagship store, Penang.

First Generation
Strategy: The founder adopted traditional recipe in pastries and sesame oil production and invited pastry chef (Yeung) from China to create niche market special targeted large Chinese population in Penang.

First Generation
Enterprise Development: Established Chop Ghee Hsiang located at the beach street in Penang. The strategic location at Penang with large Chinese population would help Ghee Hsiang to obtain food ingredients from China shifted to Malaysia.

Second Generation
(Convert to solid)
- Converted into Tau Sar Piah biscuits and baby brand sesame oil production. Ventured into property development

Second Generation
Skill: Interprets tacit knowledge from traditional recipe to produce Tau Sar Piah biscuits and baby brand sesame oil.
Top Down: Top management sold to the 4 families, Yeap, Yoon, Cheong and Ooi family who after the founder passed away. Cheong and Ooi family remained as main decision maker.
PU: Openness to ideas and promoted sesame oil related products distributed into household, restaurant, hawker center and food operation.
Involvement: Cheong and Ooi family members bought the majority stake owned by Yeap and Yoon family and solely involved in the production and marketing.

Second Generation
Strategy: Started to apply semi-auto technology but remained hand-made traditional filling to produce uniqueness traditional food stuffs. Produced more products and ventured into the property development to accumulate more capital.

Second Generation
Enterprise Development: Established Ghee Hsiang food manufacturing and Ghee Hsiang holding company divided into sesame oil and Tau Sar Piah production. Ghee Hsiang holding mostly involved in property development to develop Ghee Hsiang Garden.

Third Generation
(Innovation Capacity)
- Conducted R & D in sesame oil related products and penetrated into UAE countries. Highlighted traditional food production since 1856

Third Generation
Skill: Interpreted tacit knowledge from the traditional recipe to the Penang heritage foods.
Top Down: Top management under Cheong and Ooi partnership with large family members who owned a share but not performed. Elderly staffs trained new staffs in top-down relation.
PU: Openness ideas to split into Ghee Hsiang Ghee Hsiang manufacturing for foods and Ghee Hsiang holding for property development.
Involvement: Ooi and Cheong in third and forth generation strongly involved in heritage building design and foods production to turn Ghee Hsiang as Penang spot tourist destination for heritage enterprise with traditional foods.

Third Generation
Strategy: Heavily promoted R & D to conduct sesame medicine research with university and penetrated into UAE countries for sesame oil related products. Always turned Ghee Hsiang as Penang heritage food production as tourist route destination for museum sales boutique and gift shop.

Third Generation
Enterprise Development: Established Ghee Hsiang food production to turn Ghee Hsiang as most famous Penang heritage and expert oriented enterprise. R & D centre of excellence in sesame seed cooperated with local University (USM) to produce excellence sesame oil related products.
<table>
<thead>
<tr>
<th>First Generation</th>
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</thead>
<tbody>
<tr>
<td><strong>Skill:</strong> Interpreted and adopted soy sauce fragmentation while worked at restaurant.</td>
</tr>
<tr>
<td><strong>Top Down:</strong> Top management under founder’s leadership and sibling partnership from production, marketing and logistic distribution.</td>
</tr>
<tr>
<td><strong>PU:</strong> Openness idea to produce own brand of Kum Thim light soy sauce with personal recipe targeted to restaurant and food operation chain.</td>
</tr>
<tr>
<td><strong>Involvement:</strong> The founder mostly involved in the production and trained his stuff from lower ground to the top management based on the previous experience while worked at restaurant.</td>
</tr>
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<table>
<thead>
<tr>
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<tbody>
<tr>
<td><strong>Skill:</strong> Interpreted test knowledge from sources production to create niche market in the cultural food production.</td>
</tr>
<tr>
<td><strong>Top Down:</strong> Top management under founder’s eldest son who was graduated overseas to enhance professional management and top down relation always encourage knowledge sharing to come out innovative ideas.</td>
</tr>
<tr>
<td><strong>PU:</strong> Openness idea to create niche market by producing frozen food, Dim Sum and Yee Sang specialities in the cultural food market demand.</td>
</tr>
<tr>
<td><strong>Involvement:</strong> The next generation mostly involved in R &amp; D and marketing from targeted local restaurant chain to hotel industry and involved in export trading.</td>
</tr>
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<tr>
<td><strong>Strategy:</strong> The founder utilized the working experience while worked at the Restaurant to produce own brand of Kum Thim soy sauce products. Relying on networking with Restaurant and Food operation chain to produce different sauces to be used in cooking dishes and cuisine.</td>
</tr>
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<tbody>
<tr>
<td><strong>Strategy:</strong> The next generation strongly achieved recognition in the food standard category from local requirement until UK food standard requirement. Perpetuated into hotel industry as a good start to distribute sauces products, Yee Sang specialities and frozen foods to the Star Chinese and finally to the export trading.</td>
</tr>
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<tr>
<td><strong>Enterprise Development:</strong> Established Kum Thim light soy 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.</td>
</tr>
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<tr>
<td><strong>Enterprise Development:</strong> Established cultural based food production to turn Kum Thim sauces production to Kum Thim group of companies with overseas manufacturing plant (Hong Group in China) to produce cultural based traditional Halal food products targeted overseas Chinese market and UAE countries.</td>
</tr>
</tbody>
</table>
I. KLT Food Industries (Medium Scale Enterprise) (1972-2011)

First Generation

Tact knowledge
Knowledge in working experience while worked at hawker centre or Dim Sum restaurant.

Create the concept
Established Hong Kong cuisine style Dim Sum and Kam Lun Tiu restaurant chain.

Enterprise Development
Established Kam Lun Tiu restaurant adopted the name from the name used by Tan H.S.Lee, 1st finance minister in Malaysia when he was trading in China. Provided morning tea time (Dim Sum) and dinner set menu (Marriages or special occasions) focused on Hong Kong cuisine.

Second Generation

Convert to codify
Converted from the restaurant business to the food production with international standard combined with different food culture.

Innovation Capacity
Converted to KLT food production such as mooncakes, Malaysia delights of food stuffs and food fusion in instant foods from different countries.

Enterprise Development
Extended from hawker business to Fabulous 1 Malaysia food production and restaurant chain in Malaysia and global menu.

First Generation

Skill: Interpreted and adopted personal working experience while worked at hawker centre and restaurant.

Top Down: 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.

PU: Openness ideas to bring Hong Kong Style cuisine into Malaysia food culture to design varieties set menu and Dim Sum menu.

Involvement: The founder mostly involved business partnership and ventured into seafood restaurant, noodle house, dining restaurant and Japanese Sushi restaurant.

First Generation

Strategy: The founder adopted the Hong Kong cuisine Style cuisine and ventured into Dim Sum restaurant and restaurant chain entered to the special event celebration based on the accumulated working experience before founded become an entrepreneur.

Second Generation

Skill: Interpreted tacit knowledge from restaurant operation chain into KLT food production in mooncakes and food stuffs.

Top Down: Top management under founder'sborn 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.

PU: Openness ideas and promote a series of KLT trademark of mooncakes series, dessert and confectioneries in convenience packaging.

Involvement: The next generation mostly involved in the food technology and R & D to retain performance oriented stuffs. However, experience staffs mostly operated in the daily business to train the younger staffs.

Second Generation

Strategy: The next generation greatly promoted Fabulous 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.

Second Generation

Enterprise Development: 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 Malaysian Chinese style food production.
<table>
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<th>Second Generation</th>
<th>Third Generation</th>
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<td><strong>Third Generation</strong></td>
<td><strong>Enterprise Development</strong></td>
</tr>
<tr>
<td><strong>Red Horse (Small Scale Enterprise) (1964-2011)</strong></td>
<td><strong>Converted from local market production to the private labelling and export trading</strong></td>
<td><strong>Expanded from fruit juice production to the OEM private labelling and export trading</strong></td>
<td><strong>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.</strong></td>
</tr>
<tr>
<td><strong>Fact Knowledge</strong></td>
<td><strong>Embracing technology and innovation in concentrate juice cordials production</strong></td>
<td><strong>Innovation Capacity</strong></td>
<td><strong>Enterprise Development:</strong> Established Red Horse fruit juice manufacturer and Shoo Kee juice targeted local market and export trading with private labelling. Established International Syntex and Reality to manage the fund from the accumulated capital from the rental to return capital from the purchased premises.</td>
</tr>
<tr>
<td><strong>Create the Concept</strong></td>
<td><strong>Innovate packaging and promoted OEM private labelling with different trademarks</strong></td>
<td><strong>Involvement</strong></td>
<td><strong>Strategy:</strong> 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.</td>
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<td><strong>First Generation</strong></td>
<td><strong>Second Generation</strong></td>
<td><strong>Third Generation</strong></td>
<td><strong>Enterprise Development:</strong> Established Red Horse fruit juice manufacturer and Shoo Kee juice targeted local market and export trading with private labelling. Established International Syntex and Reality to manage the fund from the accumulated capital from the rental to return capital from the purchased premises.</td>
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<tr>
<td><strong>Skill:</strong> Interpreted tacit knowledge from local market production and OEM private labelling to enhance private labelling. <strong>Strategy:</strong> 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.</td>
<td><strong>Mechanistic engineering to enhance private labelling:</strong> The next generation started to implement simple organization structure and involved in private labelling and export trading.</td>
<td><strong>Involvement:</strong> The founder involved as mentor to train his children as helper in the production before passed down the leadership role to the next generation.</td>
<td><strong>Enterprise Development:</strong> Established Red Horse fruit juice manufacturer and Shoo Kee juice targeted local market and export trading with private labelling. Established International Syntex and Reality to manage the fund from the accumulated capital from the rental to return capital from the purchased premises.</td>
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<td><strong>Skill:</strong> Interpreted and adopted the herbal remedies to produce herbal drinks.</td>
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<td><strong>Top Down:</strong> Top management under founder’s leadership with sibling partnership. Almost repetitive job with lack of interest worn the top down relationship.</td>
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<tr>
<td><strong>PUE:</strong> Openness to ideas and transferred herbal drinks formulation into instant drinks. <strong>Involvement:</strong> The founder mostly involved in the daily operation and became herbal specialist. Later slowly involved into instant Ipoh coffee production after closed down Doyo food industries.</td>
<td>First Generation</td>
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<td><strong>Convert to codify</strong></td>
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</table>
- Converted from the instant coffee production to focus on value added health drinks. | First Generation |
| **Innovation Capacity** |  
- Redesigning packaging and create niche market in organic and vegetarian food supplement. Export instant Ipoh coffee to China. | First Generation |
| **Enterprise Development** |  
- Extended from instant coffee production to instant health drinks and assigned dealership to Singapore targeted overseas Chinese market. | First Generation |

<table>
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<tr>
<td><strong>Skill:</strong> Interpreted tacit knowledge from the instant coffee production to the health drinks.</td>
<td>Second Generation</td>
</tr>
<tr>
<td><strong>Top Down:</strong> Top management under founder’s sons who separated into Malaysia production (instant drinks packaging) and by older son and China operation (contract farming and import trading) lead by founder’s second son. <strong>PUE:</strong> Openness to ideas and promoted health supplements drinks with organic and vegetarian. <strong>Involvement:</strong> The next generation started to utilize 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.</td>
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<tr>
<td><strong>Enterprise Development:</strong> 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.</td>
<td>Second Generation</td>
</tr>
</tbody>
</table>
| **10. Eng Hup Seng**  
**Small Scale Enterprise**  
(1987-2011)** | **First Generation**  
**Tacit Knowledge**  
-Knowledge passed down through generations  
-Traditional production methods  
-Authentic Asian cuisine style | **First Generation**  
**Strategy**  
-The founder  
-Launched the first sesame oil production and established the brand  
-**Top Down:** Top management decisions  
-**Bottom Up:** Employee input and feedback  
-**Involvement:** The founder played a central role in the day-to-day operations | **First Generation**  
**Enterprise Development**  
-Established Eng Hup Seng  
-Sesame oil and sauce production  
-Scale up production and distribution to meet market demand  
-Brand recognition and expansion into new markets | **Second Generation**  
**Skill:** Continued the tradition and adapted the traditional sesame oil production method  
-**Added value:** New product development  
-**Top Down:** Strong company culture  
-**Bottom Up:** Employee involvement  
-**Involvement:** The second generation took over the business | **Second Generation**  
**Strategy:** Continued the tradition and adapted the traditional sesame oil production method  
-**Added value:** New product development  
-**Top Down:** Strong company culture  
-**Bottom Up:** Employee involvement  
-**Involvement:** The second generation took over the business | **Second Generation**  
**Enterprise Development**  
-Established Eng Hup Seng  
-Sesame oil and sauce production  
-Scale up production and distribution to meet market demand  
-Brand recognition and expansion into new markets |
<table>
<thead>
<tr>
<th>Generation</th>
<th>Description</th>
</tr>
</thead>
</table>
| First Generation | **Skill:** Interpreted and adopted home-based fried nuts distributed to the local food operation.  
**Top Down:** 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.  
**PUI:** Openness to ideas and upgraded from traditional wok frying to temperature control oven roasted technology in the nuts production.  
**Involvement:** The founder invited his friends and eldest son to involve in the production to protect tacit knowledge. Strongly involved in the business networking rather than R & D in the production. |
| Second Generation | **Skill:** Interpreted tacit knowledge from the nuts and peas production by adding flavors and herbs to produce Southeast Asian nuts snacks.  
**Top Down:** Top management under founder's heir leadership. Sons normally placed at the top position dealt with export trading and external operation and daughters placed at the administration or internal operation.  
**PUI:** Openness to ideas and promoted private labelling in export trading distributed to Southeast Asia, Asia and European countries.  
**Involvement:** The next generation strongly involved in export trading and contract manufacturing to explore huge market in the international marketplace who loved Southeast Asia nuts snacks. |

<table>
<thead>
<tr>
<th>Enterprise Development</th>
<th>First Generation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>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 but also the main distributor of uncooked peanuts targeted to the food operation chain in Malaysia.</strong></td>
<td></td>
</tr>
<tr>
<td>Second Generation</td>
<td><strong>Strategy:</strong> Implemented fumigation method and hygienic control in the production to penetrate export trading refer to the export countries requirement. Achieved recognition as Southeast Asia nut snacks production.</td>
</tr>
<tr>
<td>Enterprise Development</td>
<td>Established Regent food enterprise with private labelling and contract manufacturing to become one of the export trader dealt with Southeast Asia nut snacks.</td>
</tr>
</tbody>
</table>
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 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”

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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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

<table>
<thead>
<tr>
<th>Family Business Nature</th>
<th>Year of establishment/ Generation/ Succession</th>
<th>Skill Changes</th>
<th>PUI Changes</th>
<th>Strategy changes after generational Change</th>
<th>Enterprise development (First Generation)</th>
<th>Enterprise development (Next Generation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Tat Ton Sang (EYS) (Large Enterprise)</td>
<td>1842-2011 (3rd Generation) (Father-Cousin)</td>
<td>Interpreted from physician remoluecies to scientific herb medicine</td>
<td>Ideas from medical hall to TCM retail shop and wellness clinic facilities</td>
<td>Evolved from herbal connections to formulas for specific ailments</td>
<td>Extended from medical hall to EYS retail shop and TCM clinics</td>
<td>Extended from EYS group to partnership with British Natural food</td>
</tr>
<tr>
<td>2. Khong Guan (Biscuits) (Large Enterprise)</td>
<td>1937-2011 (3rd Generation) (Father-Nephew)</td>
<td>Interpreted from traditional biscuits to assorted confectionery</td>
<td>Ideas from personal biscuits production to access Arrow's food recipe</td>
<td>Evolved from targeted Overseas Chinese to the Non-Chinese Market</td>
<td>Extended from biscuit factory to Khong Guan food industries</td>
<td>Extended from Khong Guan biscuits to Asian forest biscuit production</td>
</tr>
<tr>
<td>3. London Biscuit (Biscuits) (Large Enterprise)</td>
<td>1994-2011 (2nd Generation) (Father-Grandson)</td>
<td>Interpreted from corn snack to twist wrap instant confectionary food products</td>
<td>Ideas from snack food to candies, cakes &amp; egg product business trading</td>
<td>Evolved from mastering food trading to export trading</td>
<td>Extended from snack foods to pie cakes and candies production</td>
<td>Extended from pie cake to Southeast Asia largest cake roll production</td>
</tr>
<tr>
<td>4. Tatawa (Biscuits) (Medium Enterprise)</td>
<td>1981-2011 (2nd Generation) (Father-Nephew)</td>
<td>Interpreted from hand-made welding cake to OEM biscuits</td>
<td>Ideas from traditional pastries to export biscuits production</td>
<td>Evolved from pastries production to the Tsung meonakai production</td>
<td>Extended from family bakeries to Tatawa biscuit enterprise</td>
<td>Extended from Tatawa biscuits to recognized export based production</td>
</tr>
<tr>
<td>5. King's Confections (Cakes &amp; Breads) (Medium Enterprise)</td>
<td>1977-2011 (2nd Generation) (Father-Daughter-Son)</td>
<td>Interpreted from hawker food to pastries and bakeries production</td>
<td>Ideas from Hammane food culture to King's designed pastries and bakeries</td>
<td>Evolved from pastries production to transfer to Bangladesh food market</td>
<td>Extended from coffee corner to King's confectionary retail chain</td>
<td>Extended from King's to the Pak Haad cafe, cooperated with Tesco</td>
</tr>
<tr>
<td>6. Lakshmi Usaha (Noodles) (Medium Enterprise)</td>
<td>1975-2011 (2nd Generation) (Father-Son-Daughter)</td>
<td>Interpreted from hand-made to clean technology noodles production</td>
<td>Ideas from ethno enterprise to ultra modern noodle production</td>
<td>Evolved from ethno based noodles to Malaysia Halal noodles production</td>
<td>Extended from home-based noodle production to supply chain enterprise</td>
<td>Extended from hawker center to Chinese Muslim restaurant</td>
</tr>
<tr>
<td>7. TPC Plus (Egg) (Large Enterprise)</td>
<td>1976-2011 (2nd Generation) (Brother-Consider)</td>
<td>Interpreted from poultry egg farming to fruit biotechnology</td>
<td>Ideas from poultry egg farming to enzyme vinegar biotechnology</td>
<td>Evolved from poultry farming to enzyme vinegar</td>
<td>Extended from TPC poultry farm to integrated agricultural</td>
<td>Extended from TPC Plus to venturing into biotechnology</td>
</tr>
<tr>
<td>8. VH Mulacron (Noodles) (Medium Enterprise)</td>
<td>1975-2011 (2nd Generation) (Father-Son)</td>
<td>Interpreted from food trading to instant noodles production</td>
<td>Ideas from food supply chains to the UK Tesco halal food supply chain</td>
<td>Evolved from food business trading to Malaysian halal food export trading</td>
<td>Extended from Tasvanese food trading to instant noodles</td>
<td>Extended from local food to export based Malaysia halal food</td>
</tr>
<tr>
<td>9. Benjocom (Chinese Herbs) (Medium Enterprise)</td>
<td>1948-2011 (3rd Generation) (Father-Son-Nephew)</td>
<td>Interpreted from herbal to essence formulation</td>
<td>Ideas from herbal trading to essence gift box production</td>
<td>Evolved from medical hall to OMD essence touristic spot</td>
<td>Extended from Chinese medicine hall to essence production</td>
<td>Extended from essence factory to export based health foods</td>
</tr>
<tr>
<td>10. Baker Cottage (Cakes &amp; Breads) (Large Enterprise)</td>
<td>1994-2011 (3rd Generation) (Father-Grandson)</td>
<td>Interpreted from day old chicken farming to integrated bakeries and food processing</td>
<td>Ideas from integrated poultry chicken farming to food processing and bakeries with cafe retail chain</td>
<td>Evolved from integrated poultry farming to core products retail chain</td>
<td>Extended from poultry farming to contract farming and outsourcing</td>
<td>Extended from integrated poultry farming to bakeries cafe retail chain</td>
</tr>
<tr>
<td>11. Ghee Sang (Sesame oil &amp; Biscuits) (Small Enterprise)</td>
<td>1865-2011 (3rd Generation) (Father-Friends-Family)</td>
<td>Interpreted from traditional recipe to Penang heritage food production</td>
<td>Ideas from traditional food stuffs to Penang heritage gift shop and R&amp;D in sesame oil production</td>
<td>Evolved from pastries flagship store to Penang heritage gift shop and property</td>
<td>Extended from oriental pastries house to Ghee Sang food enterprise and investment</td>
<td>Extended from Ghee Sang enterprise to Penang tourism gift shop</td>
</tr>
<tr>
<td>Family Enterprises/ Business Nature</td>
<td>Year of establishment/ Generation/ Succession</td>
<td>Skill Changes</td>
<td>PUI Changes</td>
<td>Strategy changes after generational Change</td>
<td>Enterprise development (First Generation)</td>
<td>Enterprise development (Next Generation)</td>
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</tr>
<tr>
<td>12. Kam Thim (Soy Sauce) (Medium Enterprise)</td>
<td>1970-2011 (2nd Generation) (Father-Son)</td>
<td>Interpreted from sauce production to export-based frozen food production</td>
<td>Ideas from sauce production to cultural-based food production</td>
<td>Evolved from sauce production to cultural-based food production</td>
<td>Extended from home-based sauce production to cultural food enterprise</td>
<td>Extended from Kam Thim food to food export partnership business</td>
</tr>
<tr>
<td>13. KLT Food Industries (Restaurant) (Medium Enterprise)</td>
<td>1972-2011 (2nd Generation) (Father-Daughter-Son)</td>
<td>Interpreted from Hong Kong cuisine to Southeast Asia food production</td>
<td>Ideas adopted from Hong Kong cuisine into Malaysia food industry</td>
<td>Evolved from restaurant catering to KLT food processing</td>
<td>Extended from hawker center to Hong Kong style restaurant</td>
<td>Extended from restaurant to export-based KLT food</td>
</tr>
<tr>
<td>14. Red Horse (Cordials) (Small Enterprise)</td>
<td>1964-2011 (2nd Generation) (Father-Son)</td>
<td>Interpreted from concentrate juice cordials to private labelling automation</td>
<td>Ideas from Malaysia tropical juice cordial to export-based private labelling halal juice production</td>
<td>Evolved from first mover to distribute juice cordials to the global halal food market</td>
<td>Extended from home-based juice production to private labelling drink enterprise</td>
<td>Extended from Red Horse to Shoon Kee juice enterprise and retail</td>
</tr>
<tr>
<td>15. Hei Hwang (Coffee) (Small Enterprise)</td>
<td>1975-2011 (2nd Generation) (Father-Son)</td>
<td>Interpreted from herbal drinks to instant white coffee production</td>
<td>Ideas from herbal drinks to instant coffee and health drinks</td>
<td>Evolved from herbal drinks to Hei Hwang instant white coffee</td>
<td>Extended from herbal drink to Hei Hwang instant white coffee</td>
<td>Extended from Hei Hwang to export trading and contract manufacturing</td>
</tr>
<tr>
<td>16. Eng Hup Seng (Sesame Oil) (Small Enterprise)</td>
<td>1987-2011 (2nd Generation) (Father-Son)</td>
<td>Interpreted from sesame oil production to private labelling and selling in bulk packaging</td>
<td>Ideas from Mother brand to Southeast Asia authentic sauces brand</td>
<td>Evolved from local brand to Southeast Asia authentic sauces brand</td>
<td>Extended from home-based sesame oil production to hallmark of Southeast Asia sauces</td>
<td>Extended from Eng Hup Seng sauces to export based private labelling enterprise</td>
</tr>
<tr>
<td>17. Regent Food (Ternuts) (Small Enterprise)</td>
<td>1981-2011 (2nd Generation) (Father-Son)</td>
<td>Interpreted from home-based nuts production to export-based nuts snacks packaging</td>
<td>Ideas from fried nuts to health conscious temperature controlled roasted nuts snacks</td>
<td>Evolved from targeted hawker food to export-based private labelling</td>
<td>Extended from home-based nuts production to processed nut snacks enterprise</td>
<td>Extended from regional food enterprise to private labelling enterprise</td>
</tr>
</tbody>
</table>
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 kinds of 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's why we chose to establish Tatawa with the new organization culture that was entirely different than Yong Sheng Confectionery gift shop."

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 laboratory 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 Nestlé. 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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5 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

<table>
<thead>
<tr>
<th>Size and Age of Family Enterprise</th>
<th>Generational Change in Innovation Capacities</th>
<th>Strategic Management in Innovation Capacities</th>
<th>Enterprise Development in Innovation Capacities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Scale Family Enterprise Food (London, Khong Guan, Eu Yan Sang, Baker’s Cottage, TPC Plant)</td>
<td>From First to the Next Generation Skill: Adapted knowledge from foreign technology such as British natural food production, Australian Arnott’s biscuit formulation and Taiwanese enzyme vinegar. Top Down: Top management given autonomy to engage with professional partnerships, allow work cooperation, flattened organization and monitor innovation programs. FU: Openness to ideas to create Asian super brands with food fusions such as London Southeast Asia roll cakes, Khong Guan wafer biscuit and EYS scientific health products. Involvement: Mostly involved from local food production to the global supply chain of Asian food production, co-produced with other Asian brands.</td>
<td>From First to the Next Generation Strategy: Evolved from locally recognized in enterprise to Asian form with unique food product, adopted scientific approach with knowledge sharing to produce natural foodstuff, co-operative with overseas manufacturing plant, improved with foreign enterprise to produce Asian foodstuff catering to non-Asian markets.</td>
<td>From First to the Next Generation Enterprise Development: Established Asian or Southeast Asia brand of food with overseas manufacturing plant, co-operated with foreign enterprise to produce Asian foodstuff catering to non-Asian markets.</td>
</tr>
<tr>
<td>Medium Scale Family Enterprise Food (Taiwan, Ghee Heng, King’s Confectionery, KLJ Food, Lakasmane, Usalde, Vit Makaron, Benformax)</td>
<td>From First to the Next Generation Skill: Adapted knowledge from the current trend to achieve recognition by upgrading value processing chain such as clean technology in noodle production or good manufacturing practice in essence products. Top Down: Top management given autonomy to develop R&amp;D and engage in new production and marketing techniques. FU: Openness to innovative ideas to upgrade value to become superior products such as KLT moosecakos, Fumes health essence and King’s pastries. Involvement: Mostly involved in production and marketing to do something different than the previous generation such as IT advancement, franchising business, retailing business or supply chain in global halal food.</td>
<td>From First to the Next Generation Strategy: Evolved from family-owned enterprise to adapt other food cultures from various countries and make it recognized to get accepted in Malaysia food industry such as Japanese Tianje moosecakes, Hong Kong style KLT foods, Taiwanese Vit’s instant noodles and China Fujian oriental pastries.</td>
<td>From First to the Next Generation Enterprise Development: Established locally accepted food production with different distribution channels upgraded with standard requirements to produce Malaysian-based signature products for export.</td>
</tr>
<tr>
<td>Small Scale Family Enterprise Food (Red Horse, Ht Hwang, Regent, Eng Heng Seng, Kam Thum)</td>
<td>From First to the Next Generation Skill: Adapted tacit knowledge solely based on founder’s experience such as Iphoh instant coffee, concentrate juice and nuts snacks. Top Down: Top management under founder’s leadership with pyramid organization structure. However, quite flexible in top down relations after the next generation took over. FU: Openness to ideas: produced own recipe in food production such as Ht Hwang Iphoh Coffee, Kam Thum Yee Seng, Regent snacks and Ghee Heng Tau Sw Piah. Involvement: Mostly involved in family operation, favoring reputation 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 targeting overseas Chinese.</td>
<td>From First to the Next Generation Strategy: Evolved from home-based cottage business to food specialties in particular areas to stay unique in the market such as Penang heritage banana oil, Malaysia Iphoh coffee and Malaysia tropical juice cordials.</td>
<td>From First to the Next Generation Enterprise Development: Established unique food production 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.</td>
</tr>
</tbody>
</table>
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 tied 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.\footnote{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).} 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.
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

<table>
<thead>
<tr>
<th>Profile &amp; Organization Changes</th>
<th>Plastics Production</th>
<th>Food Production</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Year of establishment</strong></td>
<td>Oldest: 1929</td>
<td>Oldest: 1842</td>
</tr>
<tr>
<td></td>
<td>2nd Generation: 9 cases</td>
<td>2nd Generation: 6 cases</td>
</tr>
<tr>
<td></td>
<td>3rd Generation: 2 cases</td>
<td>3rd Generation: 12 cases</td>
</tr>
<tr>
<td></td>
<td>Most of the plastic firms adopted British-type manufacturing (1929-1950);</td>
<td>Most of the food firms evolved as:</td>
</tr>
<tr>
<td></td>
<td>American-type manufacturing (1960-1970);</td>
<td>Traditional stores (1842-1900);</td>
</tr>
<tr>
<td></td>
<td>Japanese-type manufacturing (1980-1990);</td>
<td>Traditional manufacturing</td>
</tr>
<tr>
<td></td>
<td>Taiwanese-type manufacturing (1990-2000);</td>
<td>(1910-1950);</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Private labelling (1980-1990);</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Franchise outlets (2000-2010).</td>
</tr>
<tr>
<td><strong>2. Annual Sales (RM)</strong></td>
<td>Highest: 255 million</td>
<td>Highest: 500 million</td>
</tr>
<tr>
<td></td>
<td>Lowest: 1.5 million</td>
<td>Lowest: 4 million</td>
</tr>
<tr>
<td><strong>3. Number of Employees</strong></td>
<td>Highest: 2000 people</td>
<td>Highest: 600 people</td>
</tr>
<tr>
<td></td>
<td>Lowest: 50 people</td>
<td>Lowest: 25 people</td>
</tr>
<tr>
<td></td>
<td>Most employees were involved in plastic dipping and product assembly processes to enter mass production in semiconductors and electronics.</td>
<td>Most employees were involved in food production, packaging and as outlet staff to expand distribution channels including export capacity and business franchising.</td>
</tr>
<tr>
<td><strong>4. Number of family members</strong></td>
<td>Highest: 90 people</td>
<td>Highest: 130 people</td>
</tr>
<tr>
<td></td>
<td>Lowest: 5 people</td>
<td>Lowest: 10 people</td>
</tr>
<tr>
<td></td>
<td>Most family members shifted from family enterprises to knowledge intensive enterprises, mostly in production, administration and R&amp;D.</td>
<td>Most family members shifted from home-based cottage businesses to export trading enterprises. The emphasis was on improving production, R&amp;D and marketing.</td>
</tr>
<tr>
<td><strong>5. Number of Manager</strong></td>
<td>Highest: 50 managers</td>
<td>Highest: 50 managers</td>
</tr>
<tr>
<td></td>
<td>Lowest: 5 managers</td>
<td>Lowest: 5 managers</td>
</tr>
<tr>
<td></td>
<td>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.</td>
<td>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.</td>
</tr>
</tbody>
</table>

242
<table>
<thead>
<tr>
<th>Profile &amp; Organization Changes</th>
<th>Plastics Production</th>
<th>Food Production</th>
</tr>
</thead>
</table>
| 6. Number of Branches         | Highest: 7 subsidiaries  
Lowest: No subsidiaries  
Most medium and large scale enterprises established subsidiaries in local and international markets to build new manufacturing plants and targeted MNCs based on industry specifications  | Highest: 200 outlets/branches  
Lowest: No outlets/branches  
Most medium and large scale enterprises in food production established outlets in local and foreign markets to build food retail chains and develop brand products. |
| 7. Number of Machines         | Highest: 200 machines  
Lowest: 10 machines  
Most medium and large scale enterprises in plastic production invested in machines to enhance production capabilities based on different projects awarded by MNCs.  | Highest: 230 machines  
Lowest: 8 machines  
Most medium and large scale enterprises in food production invested in machines, specifically those involved in large food retail chains. |
| 8. Number of New Products     | Highest: 150 products  
Lowest: 20 products  
Most new products in plastics SMEs were manufactured by medium and large scale enterprises which had diversified their range of products based on industry specifications  | Highest: 150 products  
Lowest: 5 machines  
Most new products in food SMEs were manufactured by medium and large scale firms which produced brand products based on creating niche markets. |

Table 6.1 indicates that family SMEs in food production achieved higher annual sales growth compared 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 collaborate 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 Mater 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 (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 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

53 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.
54 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

<table>
<thead>
<tr>
<th>Profile and Organization</th>
<th>Plastics Production</th>
<th>Food Production</th>
<th>Comparison between Food and Plastic production</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brief History</td>
<td>From founder to the next generation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Brief History)</td>
<td>Founder had tacit knowledge but the next generation shifted direction to plastic technology.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Tacit Knowledge)</td>
<td>Hands-on workshop, trading house or services accumulated during founder generation.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Triggering Event)</td>
<td>New innovation that created new market from booming industry and involved in global supply chain.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Organization Development)</td>
<td>Evolved from low end labour intensive to high end knowledge intensive plastics production.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>From founder to the next generation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Brief History)</td>
<td>Founder had tacit knowledge which later was developed by next generation, more enlightened about improving traditional food preparation methods.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Tacit Knowledge)</td>
<td>Home-based cottage business, hawker food and ethnic enterprise knowledge accumulated during founder generation.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Triggering Event)</td>
<td>Food fusion innovation that combines elements of different food traditions from different countries to create new food trends.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Organization Development)</td>
<td>Evolved from traditional ethnic enterprise to branded food retailer and franchiser.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Plastics Production

- Tacit Knowledge (Hand-on)
- Organization Development (Knowledge)

Food Production

- Tacit Knowledge (Home-based)
- Organization Development (Branding)

Codified knowledge into knowledge intensive services in plastics production after partnering with MNCs.

Codified knowledge into food fusion with good branding of traditional heritage in food production after being involved in export trading and Halal trade.
<table>
<thead>
<tr>
<th>Profile and Organization</th>
<th>Plastics Production</th>
<th>Food Production</th>
<th>Comparison between Food and Plastic production</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Family Tree</strong></td>
<td><strong>From founder to next generation</strong></td>
<td><strong>From founder to the next generation</strong></td>
<td><strong>Plastics Production</strong></td>
</tr>
<tr>
<td><strong>Founder generation</strong></td>
<td>Usually consists of brothers and/or husband-wife partnership. Tends to accumulate capital from profits.</td>
<td><strong>Founder generation</strong></td>
<td>Startup with unrelated to plastic production</td>
</tr>
<tr>
<td><strong>Next generation</strong></td>
<td>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.</td>
<td><strong>Next generation</strong></td>
<td>Founder partnered with family members or friends</td>
</tr>
<tr>
<td></td>
<td>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.</td>
<td><strong>The next generation involved in production and R&amp;D</strong></td>
<td>The next generation involved in production and R&amp;D</td>
</tr>
<tr>
<td></td>
<td><strong>Drastic evolution in family tree when shifted into other ventures or production</strong></td>
<td><strong>Drastic evolution in family tree when shifted into other ventures or production</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Food Production</strong></td>
<td><strong>Startup with cultural heritage food production</strong></td>
<td><strong>Founder partnered with family members or migrants</strong></td>
<td><strong>Food Production</strong></td>
</tr>
<tr>
<td></td>
<td><strong>The next generation involved in transfer of traditional knowledge</strong></td>
<td><strong>Long term retaining of seniority staff in family tree when sustained into several generations</strong></td>
<td><strong>The next generation involved in transfer of traditional knowledge</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>Long term retaining of seniority staff in family tree when sustained into several generations</strong></td>
</tr>
<tr>
<td>Profile and Organization</td>
<td>Plastics Production</td>
<td>Food Production</td>
<td>Comparison between Food and Plastic production</td>
</tr>
<tr>
<td>--------------------------</td>
<td>---------------------</td>
<td>----------------</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td><strong>Family Role</strong></td>
<td>From founder to next generation</td>
<td>From founder to next generation</td>
<td>Plastics Production</td>
</tr>
<tr>
<td><strong>Founder generation</strong></td>
<td>Upper management usually involved in sales and marketing. Mostly profit oriented. Upper management usually involved in education and training. Mostly profit oriented.</td>
<td>Founder tends to accumulate capital in family firm</td>
<td>Enriched with MNC partnerships and education</td>
</tr>
<tr>
<td><strong>Next generation</strong></td>
<td>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.</td>
<td>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.</td>
<td>Established new enterprise or manufacturing plants to develop new knowledge aligned with changing technology</td>
</tr>
<tr>
<td><strong>Food Production</strong></td>
<td>Founder tends to start up traditional business</td>
<td>Enriched with foreign technology production and cultural heritage</td>
<td>Established branches, retail outlets and cafes to promote tacit knowledge by strengthening food culture</td>
</tr>
</tbody>
</table>
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\textsuperscript{55}, Kemajuan Plastic\textsuperscript{56} and Sweetco\textsuperscript{57}.

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 trend 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.

\textsuperscript{55} Chang Huat Group shut down its plastic injection plant in Thailand and Indonesia as they were unprofitable.

\textsuperscript{56} Kemajuan Plastic decided to shut down its packaging plant in Casablanca due to high transaction costs.

\textsuperscript{57} 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\(^6^8\), Ghee Hiang\(^6^9\) and Besfomee Industries\(^6^0\). However, a few of these enterprises would venture into property development to accumulate more capital to invest in technology upgrading, seen in Khong Guan\(^6^1\), Ghee Hiang\(^6^2\) and Red Horse\(^6^3\). 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.

\(^{6^8}\) Eu Yan Sang employed senior herbalists to work in its retail outlets and TCM clinics.

\(^{6^9}\) Ghee Hiang retained over a long period of time a large number of senior staff who were involved in the preparation in its famous Tau Sar Piah biscuits.

\(^{6^0}\) Besfomee Industries showed its appreciation of senior staff by offering them important positions in the family enterprise.

\(^{6^1}\) 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.

\(^{6^2}\) 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 to the rapid rise in property prices in Malaysia.

\(^{6^3}\) 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

<table>
<thead>
<tr>
<th>Innovation capacities</th>
<th>Plastic Production</th>
<th>Food Production</th>
<th>Comparison between Food and Plastics production</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Generational Change and Innovation</strong></td>
<td>(From tacit to codified knowledge) Each generation codified tacit knowledge into various products that were different from one generation to the next.</td>
<td>From founder to next generation (From tacit to codified knowledge) Each generation codified tacit knowledge by highlighting its long tradition to enhance uniqueness.</td>
<td>Plastics Production</td>
</tr>
<tr>
<td><strong>Innovation</strong></td>
<td>Skill: Interpreted founder’s experience and passed on skills to keep pace with industry changes.</td>
<td>(Innovation) Skill: Interpreted founder’s experience and added food fusion elements to create new food trends.</td>
<td>Tacit Knowledge ⬇️ Relied on knowledge of personal experience or hobby that was not found in plastic industry.</td>
</tr>
<tr>
<td>Top Down: Top management replaced with project-related staff based on industry specification.</td>
<td>Top Down: Top management replaced with younger competent staff to keep track of food market trends.</td>
<td></td>
<td>Create the Concept ⬆️ Customization of OEM products and targets MNCs.</td>
</tr>
<tr>
<td><strong>Involvement</strong></td>
<td>Efficient administrative coordination between family members. Moved into knowledge-intensive rather than labour-intensive industries.</td>
<td>Involvement: Focused on business rejuvenation by highlighting tradition to enhance longevity.</td>
<td>Codifying knowledge ⬆️ Converts personal experience to create core products with particular industry specifications.</td>
</tr>
<tr>
<td><strong>Strategy Management</strong></td>
<td>From founder to next generation (Strategy) Extends business networks with MNCs and prospects through inter-ethnic networks during the founder generation.</td>
<td>From founder to next generation (Strategy) Enhances ethnic-based food culture with food preparation from traditional recipes during the founder generation.</td>
<td>Innovation capacity ⬆️ Promotes design capabilities and enhances entrepreneurial dynamics.</td>
</tr>
<tr>
<td></td>
<td>Extends innovation capacity with MNCs and prospects from the value-added processing chain based on industry.</td>
<td>Extends innovation capacity with good packaging and</td>
<td>Enterprise Development ⬆️ Builds on reputation based on industry specifications.</td>
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<tr>
<td>Organizational Outcome</td>
<td>From founder to next generation</td>
<td>From founder to next generation</td>
<td>From founder to next generation</td>
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<td>------------------------</td>
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<td></td>
<td>(Enterprise Development)</td>
<td>(Enterprise Development)</td>
<td>(Enterprise Development)</td>
</tr>
<tr>
<td></td>
<td>Extends and adds to production facilities when economies of scale depended on bigger plant size.</td>
<td>Extends and adds to production facilities when the economies of scale meant creating a bigger niche market.</td>
<td>Extends and adds to production facilities when the economies of scale meant creating a bigger niche market.</td>
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<tr>
<td></td>
<td>Promotes brand reputation by extending production line and keeping pace with discontinuous change in the plastics production industry.</td>
<td>Promotes brand reputation by extending production and keeps combining with other food culture to promote food fusion.</td>
<td>Promotes brand reputation by extending production and keeps combining with other food culture to promote food fusion.</td>
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</table>

<table>
<thead>
<tr>
<th>Plastics Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family enterprises always produced different products to keep pace with industry changes.</td>
</tr>
<tr>
<td>- From electronics to semiconductors in plastic packaging or accessories.</td>
</tr>
<tr>
<td>- From housewares to concept wares in household products.</td>
</tr>
<tr>
<td>- From low end plastic injection to precision engineering.</td>
</tr>
<tr>
<td>- From OEM for MNCs to own design service provider.</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Food Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family enterprises always created niche markets to promote product uniqueness.</td>
</tr>
<tr>
<td>- From traditional food stall to retail chain stores.</td>
</tr>
<tr>
<td>- From domestic food production to export trading.</td>
</tr>
<tr>
<td>- From ethnic food to Asian food.</td>
</tr>
<tr>
<td>- From traditional food preparation (non-convenience) to automated manufacturing (convenience).</td>
</tr>
</tbody>
</table>

6.5 Developing Tacit Knowledge through Innovation in Plastic and Food Production

Table 6.3 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, partnerships involving Chinese-Malay cooperation were common; this was to enable firms to enter into global supply chains linked to MNCs. Firms such as Lee Huat, Sweetco Enterprise and Cemerlang Raya 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. However, not many family enterprises forged business partnerships that lasted until the second or third generation, except for the special case of KemajuanPlastic and Guppy Plastic. Plastics firms normally faced a great challenge transforming themselves from labour intensive to

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64 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.

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

66 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.

67 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.

68 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\(^9\), Besfomec\(^7\) and Hei Hwang\(^11\). 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\(^7\) and Tatawa Biscuits\(^7\) are examples of firms which

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\(^9\) 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.

\(^7\) 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.

\(^11\) Hei Hwang used its traditional beverage preparation method to produce instant White Coffee and health supplements and was able to penetrate the China market.

\(^7\) 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.

\(^7\) Tatawa Biscuits was invited their nephew, niece and cousin to broader 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**

<table>
<thead>
<tr>
<th>Perspectives and Issues</th>
<th>Plastics Production</th>
<th>Food Production</th>
<th>Recommendations and Discussion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Historical and Family Background</td>
<td>From founder to next generation</td>
<td>From founder to next generation</td>
<td><strong>Plastics Production</strong></td>
</tr>
<tr>
<td>• Requires large capital and latest technology in production.</td>
<td>• Requires small capital and depends on unique food preparation.</td>
<td>• Upgrading technology from time to time to turn from labour intensive to knowledge intensive is essential.</td>
<td></td>
</tr>
<tr>
<td>• Hard to respond to global market demand due to rapid changes in the industry.</td>
<td>• Able to respond to global market demand due to products uniqueness.</td>
<td>• Enhance foreign partnerships to cultivate design culture.</td>
<td></td>
</tr>
<tr>
<td>• Take times to transform from low end to high end plastics production.</td>
<td>• Takes time to evolve from ethnic-based food production to food fusion.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Difficult to express product identity and relies on building reputation.</td>
<td>• Difficult to get wide acceptance in food production and relies on longevity in tradition practice.</td>
<td><strong>Food Production</strong></td>
<td></td>
</tr>
<tr>
<td>• Sons, usually the eldest, are always in the top management. Daughters usually not interested to join the production.</td>
<td>• Sons and daughters usually in top management. However, have a large number of old staff, particularly in third generation.</td>
<td>• Enhance knowledge and technology sharing to develop new products.</td>
<td></td>
</tr>
<tr>
<td>• Hard to retain staff since skill competence changes from time to time.</td>
<td>• Protecting tacit knowledge is essential.</td>
<td></td>
<td></td>
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<tr>
<td>• New technology is essential</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Perspectives and Issues</th>
<th>Plastics Production</th>
<th>Food Production</th>
<th>Recommendations and Discussion</th>
</tr>
</thead>
<tbody>
<tr>
<td>3Ms and Objective Setting</td>
<td>From founder to next generation</td>
<td>From founder to next generation</td>
<td><strong>Plastics Production</strong></td>
</tr>
<tr>
<td>• Requires technical specifications; limits their ability to adopt own design culture.</td>
<td>• Requires product uniqueness; This limits their ability to adopt other ideas or food fusion culture.</td>
<td>• Highly promotes design culture; essential to develop own core products.</td>
<td></td>
</tr>
<tr>
<td>• Distribution channels limited to MNCs in OEM process with limited core products.</td>
<td>• Distribution channels are broader in local or export trading and core products are</td>
<td>• 3Ms implementation should be given more autonomy to enhance free flow of innovative ideas.</td>
<td></td>
</tr>
<tr>
<td>Innovation Capabilities</td>
<td>From founder to next generation</td>
<td>From founder to next generation</td>
<td>Food Production</td>
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<tr>
<td>------------------------</td>
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</tr>
<tr>
<td>Products look different and advances from founder’s time to the next generation.</td>
<td>Products boast unique, keeping in tradition with founder’s time.</td>
<td>Highly equipped with old traditional process. Thus, it takes time to be transformed in food production.</td>
<td>Highly highlights tradition in food production, essential to develop brand products in local and international markets.</td>
</tr>
<tr>
<td>Skills are upgraded to keep pace with industry changes.</td>
<td>Skills highly preserved and produced series of heritage food products.</td>
<td>Not every job must fits with education background.</td>
<td></td>
</tr>
<tr>
<td>Industry knowledge and technical specifications are required in the top management.</td>
<td>Food history knowledge and food technology is highly required in the top down management.</td>
<td>Innovation seen in those who are able to explore new markets and determine new trends.</td>
<td></td>
</tr>
<tr>
<td>Innovation seen in those who are able to explore new markets and determine new trends.</td>
<td>Innovation seen in those who are able to distribute brand products.</td>
<td>Highly requires knowledge intensive enterprise.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strategy Management</th>
<th>From founder to next generation</th>
<th>From founder to next generation</th>
<th>Plastics Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly focused on plant size to establish subsidiaries.</td>
<td>Highly focused on distribution channel to establish outlets to promote Southeast Asian or Asian food.</td>
<td>Family enterprises should enhance career development to promote knowledge transformation.</td>
<td></td>
</tr>
<tr>
<td>Highly relies on business networking with major MNCs and ensures product improvement in the value chain.</td>
<td>Relies on preserving tradition from one generation to next and enhances product diversification in the value chain.</td>
<td>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.</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Enterprise Development</th>
<th>From founder to next generation</th>
<th>From founder to next generation</th>
<th>Food Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly focused on building reputation and achieved numerous awards from MNCs for long service as supplier.</td>
<td>Highly focused on handing down the tradition across generations.</td>
<td>Rise or fall of enterprise depends on how they deal with continuous changes in plastics industry.</td>
<td>Firm should produce core products as first mover in marketplace by promoting R&amp;D.</td>
</tr>
<tr>
<td>Rise or fall of enterprise depends on how they deal with continuous changes in plastics industry.</td>
<td>Rise or fall of enterprise depends on how they preserve brand reputation.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Plastics Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firms should produce core products as first mover in marketplace by promoting R&amp;D and through technology sharing.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Food Production</th>
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</thead>
<tbody>
<tr>
<td>Firms should produce brand products to stay unique in marketplace by promoting R&amp;D.</td>
</tr>
</tbody>
</table>

| Firms learn from evolution of food sector changes in society to continue to develop the enterprise and ensure longevity. |
Table 6.4 presents recommendations and a discussion about family enterprises in plastics and food production in terms of profile and organization changes, high level education that 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\textsuperscript{74} and Vit’s\textsuperscript{75}. 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\textsuperscript{76} and Tatawa’s trademark\textsuperscript{77}.

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\textsuperscript{78}. As a result, it is highly recommended that the next

\textsuperscript{74} In London Biscuits, Liew Yet Lee was fully involved in production, from overall processing to special projects.

\textsuperscript{75} 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.

\textsuperscript{76} LH Plus’s design culture was introduced by the next generation to enhance design capabilities in the plastics sector.

\textsuperscript{77} Tatawa’s food culture was adapted from the Japanese to create different kinds Japanese food products.

\textsuperscript{78} 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\(^7\) and high quality of carrier tape technology\(^8\), 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.

\(^7\) 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.

\(^8\) 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\(^{81}\) as a style of management to develop supply chains. Firms such as Baker Cottage\(^{82}\) and Hei Hwang\(^{83}\) 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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\(^{81}\) 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.

\(^{82}\) 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 cafe food sectors.

\(^{83}\) 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 technology⁸⁴ in order to meet the stringent requirements of international retail chains and global supply chains in the Halal market⁸⁵.

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.

⁸⁴ Food technology is a subset of food science which deals with real production stages. Beaufort, Tatawa Biscuits and London Biscuits focused on food technology to produce ready-to-eat products.

⁸⁵ 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 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 businesses 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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| **1** Submitted to University of Malaya | | |
| Student Paper | | |
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| Publication | | |

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