

### SUPERVISOR VERIFICATION

„I acknowledge that have read this research project and in my opinion this research project is sufficient in terms of scope and quality for award of Bachelor of Technopreneurship“

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ANALYZING THE SUCCESSFUL FACTORS IN GROWING FAMILY  
BUSINESS: A STUDY IN MELAKA, MALAYSIA

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## DECLARATION

“This report is product of my own work expect the citation for each of which I have mentioned the sources.”

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## ABSTRACT

This paper aims to analyze the success factors in the family business. These factors are based on knowledge, attitude and leadership as an entrepreneur. Among the factors outlined is the attitude of communication, trust, work methods and preliminary design according to the current state of the business. Based on these factors, there are major contributors in developing the family business successfully. In addition, this research project will investigate the relationship between attitudes and knowledge of entrepreneurial leadership that can guarantee the success of a business in Melaka, Malaysia. The survey was conducted through a questionnaire to assess the attitudes of the communication, honest, trust and plan ahead and knowledge of entrepreneurs in Melaka. The samples are from three districts in Melaka, Melaka Tengah, Alor Gajah, and Durian Tunggal. Data collected were analyzed using descriptive analysis. The study found that there are a relationship between attitudes of the communication, honest, trust and plan ahead and knowledge leadership of an entrepreneur. The finding sees that there are a significant relationship between the family business growing (dependent variable) and the communication, honest, trust and plan ahead (independents variables).

## **ABSTRAK**

*Kertas kerja ini bertujuan untuk menganalisis faktor-faktor kejayaan dalam perniagaan keluarga. Faktor-faktor ini adalah berdasarkan kepada pengetahuan, sikap dan kepimpinan sebagai seorang usahawan. Antara faktor yang digariskan adalah sikap komunikasi, kepercayaan, kaedah kerja dan reka bentuk awal mengikut keadaan semasa perniagaan. Berdasarkan faktor-faktor ini, terdapat penyumbang utama dalam membangunkan perniagaan keluarga dengan jayanya. Di samping itu, projek penyelidikan ini akan mengkaji hubungan antara sikap dan pengetahuan kepimpinan keusahawanan yang boleh menjamin kejayaan perniagaan di Melaka, Malaysia. Kajian itu dijalankan melalui soal selidik untuk menilai sikap komunikasi, jujur, amanah dan perancangan awal dan pengetahuan usahawan di Melaka. Sampel terdiri daripada tiga daerah di Melaka, Melaka Tengah, Alor Gajah, dan Durian Tunggal. Data yang diperolehi dianalisis dengan menggunakan analisis deskriptif. Kajian mendapati bahawa terdapat hubungan di antara sikap komunikasi, jujur, amanah dan merancang ke hadapan dan kepimpinan pengetahuan usahawan. Dapatan kajian melihat bahawa terdapat hubungan yang signifikan di antara perniagaan keluarga yang semakin meningkat (pembolehubah bersandar) dan komunikasi, jujur, amanah dan merancang lebih awal (bebas pembolehubah).*

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## NOMENCLATURE

UTeM	Universiti Teknikal Malaysia Melaka
PSM	Projek Sarjana Muda
FPTT	Fakulti Pengurusan Teknologi dan Teknousahawan
SPSS	Statistics is a Software Package Used for Statistical

## LIST OF SYMBOLS

### SYMBOLS

R	: Coefficient of Determination
$R^2$	: Coefficient of Multiple Determination
$\leq$	: Less Than or Equal To
$\geq$	: More Than or Equal To
=	: Equal To
$\beta$	: Beta

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## CHAPTER 1

### INTRODUCTION

#### 1.1 Introduction

Past research has shown that family firms play a significant role in emerging and developed economies in terms of GDP growth and development (Carrher, 2005; Carraher and Carraher, 2006). Miller and Le Breton Miller (2005) reported that multidivisional enterprises such as Michelin, ARMANI, wALmART, Home Depot, and IKEA were founded and are still controlled by families. Such family-owned firms continue to dominate most of the world's economies, and remain as the major source of entrepreneurship amid under-researched where especially in a cross-cultural way.

Family businesses, whether large or small, play an important role in Malaysian economic development (Tan, 2002). A survey conducted in year 2002 by Shamsir Jasani Grant Thornton (SJGT) consulting firm and the Malaysian Institute of Management provides useful insight into the attitudes and dynamics of family business in Malaysia.

Such phenomenon has attracted many researchers to study the unique nature and characteristics of family business which continue to serve as growth enabler. In Malaysian, the family-owned businesses which continue to thrive include Adabi, Ramly, Takaso Rubber, Olive and Hong Leong Group with annual sales recorded over USD 1 billion (Norlela, 2007), and in Melaka, a state which is well known for entrepreneurial belt of businesses. Mydin Mohamed Holdings Berhad often tops the

list of successful family enterprise. Most of the family businesses in Malaysia are actively involved in manufacturing, retailing and construction industries, i.e 35% compared to other sectors (Azrain, 2010).

Inevitably, besides business concerns and market challenges, family business faces unique challenges due to family member's involvement in the business (Zumilah, 2010). Although operational and functional practices applied are generally similar to other businesses, family business challenges range from preparation level of heir, relationship among family members and partners, to succession experience. For example, besides striving for profit and business sustainability, family business calls for compassion and love for offspring, especially in the choice of a successor other than a high respect for the older family members such prominent role has the advantages of making the family business to prosper.

Because of conflicts are commonly found in managing the business in which majority of its board members are family members (Yong et al.2004), only about one-third of family businesses survive the first generation to second generation (Poutziouris, 2000). In addition, only about one-third that survived from the second generations to the next. So that, a great challenge dedicated to entrepreneurs in a family business is the wisdom to lead through the separation between the family and the relationship between the family and the way to go in a business.

Much earlier research in the area of family business, undertaken mainly in Western countries focuses on single perspective, to explain the performance or success. For example, Chandler and Jasen (1994) focused only on the relationship between the founder's characteristics and performance of the business, while Lansberg and Joseph (1994) concentrated on the effects of family relationship and family cohesion on succession planning and successor training. Although these studies are helpful in providing a theoretical grounding, a multiple-perspective approach, looking at the key success factors, potential growth and the development



as well continuous succession are valuable experiences which we can emulate from small family businesses situated in a state like Melaka.

## **1.2 Problem Statement**

Based on the observations, a family business can not be developed successfully. Most family businesses are not able to survive long after the lead generation lead. Families in business have their own „skin in the game“ and their personal net worth tied up in the business.

Besides that, their behavior is also part of factors to growing their families business. In addition, the business is also sometimes destroyed due to a family member's own attitude in managing a business.

In addition, among other factor is taking action on their own without any discussion with other members or members of the partnership business. This is because they believe that they can make informed decisions as they please because they do not involve outsiders other than their own family members.

However, a family business can be developed. Therefore, there are several factors and steps required in this family business to develop the business. By this research and analysis need to be taking to overcome the problems faced in a family business.

### **1.3 Research Questions**

1. What is an influence successful factor of family business directly to family business growing?
2. What is an influence successful of factors family business to family business growing partially?
3. What is an influence successful factors family business to family business growing simultaneously?
4. What is a dominants factor of successful factors family business to influence family business growing?

### **1.4 Research Objectives**

The objectives of this research are:

1. To identify the successful factor of family business directly family business growing.
2. To analysis the successful factors of family business to family business growing partially.
3. To analysis the successful factors of family business to family business growing simultaneously.
4. To determine a dominants factor of successful factors family business to influence family business growing.

### **1.5 Scope of Study**

This study covers for business family at Melaka that indirectly involve in the „Small Medium Enterprise“ (SME). Melaka was chosen as the positioning for this

research because obviously, this place has many stall or shop that the background of business is come from family business where it comes from any sectors such as manufacturing sectors, retail sectors, services sectors, restaurant sectors, hospitality sectors, and construction sectors that have been listed under Direktori Usahawan Bumiputra Negeri Melaka, 2012.

Besides that, the study covered the field of factors that gives impact in family business to growing their business based on the behavior and leadership in surrounding Melaka. The research will focus on the management of behavior and leadership theory in manage the business. The scope of this research will focus on the behavior of manager and membership in family business in Melaka. Residential areas that ultimately engage in the family business sector are the main respondents because it's easy to put across and trade during the questionnaire session.

## **1.6 Limitations of Study**

The study will emphasize to growing the business family. In order to complete the study, the limitation includes of time constraint faced in this study. Besides that, to produce a more honest resolution, additional time is needed to gather and examine the information. In addition, need to move and meets the respondents to give out the questionnaires, so that we must contrive to realize the tasks done rapidly and plan a time effectively in order to handle this constraint. This research focuses only the successful factors for growing family business at Melaka.

### **1.7 Importance of the study**

This study is important in order to investigate the successful factors to growing family business in Melaka and to identify between attitudes behaviors and leaderships which one will be the most significant to expand the family business in Melaka. Successful entrepreneur is a maturing business life cycles and increasing competition and leadership theory.

## CHAPTER 2

### LITERATURE REVIEW

#### 2.1 Introduction

In this chapter, we will discuss the literature review of this research. The research will take a closer to identify the success factors of family business. Besides that, also discuss the way to expand on the leadership theory will give impact to growing family business.

#### 2.2 What makes a family business?

A family business may range from the small neighborhood „Mom and Pop“ store to the large multinational company. A family firm is one in which at least 50% of the ownership and management falls within one family whether related by blood or marriage (Lee-Chua, 1997). “The family business is a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families” (Chua, Chrisman & Sharma, 1999).

However, there is some debate over the precise definition of a family business, most revolve around the kinship of family members owning and running a venture (Heck & Trent, 1999; Rogoff & Heck, 2003; Wortman, 1994). Indeed, it is

the intersection between family members, the family, and the business that is believed to represent the unique set of features that explain performance differences between family and nonfamily businesses (Habbershon et al., 2003).

This intersection also represents a source of conflict within the family and within the business (Daily & Dollinger, 1993; Harvey & Evans, 1994; Kellermanns & Eddleston, 2004). Conflict within the family may arise as a result of business issues such as disagreements over growth targets, succession, product offerings, or even from seemingly mundane issues like hours of operation.

Conflict within the business may also be measure by family issues such as time spent away from the home, marital differences, or inattention to important family events. In either case, the origins of these conflicts are often the direct result of the close and repeated interaction between family members, family, and the business.

### **2.3 Growth**

Enterprise growth is regarded as a key to economic development and to the certain of wealth and employment (Acs.et al, 2005). This paper analyses the growth of family business by examining the extent of successful factors and manages family business problems and concerns. Therefore, most of the second generation successors are more educated and they learn ways to adapt to dealing with competition, new technology, new market and new customers with ever changing expectations.

These successors might think they know how to run the business but they might not know how the ways to grow it. Thus, Walter and Yuen (2003) made some observations and delineated a matrix of performance measurement which dictates

how the successor can cultivate skill necessary for changes in people, processes and systems in Chinese family-owned business organization early enough to avert the decline of fortune. Table 1 lists family business problems and concerns popularity cited by generation"s owners (Walter and Yuen, 2003):

**Table 2.3: Problems and Concerns**

(Source: International Journal of Arts and Commerce, 2012)

An authoritarian owner in the family business
Board of directors for family members only
Favoring a family member over a dedicated employee
Inadequate experience in that particular industry
Lack of working knowledge to run the business
Incapable of exercising the power of authority with siblings
Inequity/ equity of rewards among family members
Communication problem between family members
Lack of competence and capability to run the business
Lack of interest
Lack of proper training
Male is given preferential treatment to female
Reluctance to let go of power and control
Ability to develop talent and resource
Father expectations on business different from son
Father working style different from son
Can share visions and goals with business owner
Trust between family members
Has a mentor in the family business
Decision making by family members only

Therefore, expectations for future growth are formed under the influence of various factors. These include environmental factors, characteristics of people, owner managers and characteristics enterprise practices. Faced with numerous challenges

and depending on the readiness, capabilities and competencies of the successor, not every entrepreneur is willing to expand or grow the family business.

## **2.4 Success Factors**

The first factor commitment is two fundamental pillars upon which much of the positive approach towards family business research is built. These concepts are often used to describe distinct attributes of family business like families (Frank et al., 2010). Besides the ones listed above, level of preparations refers to the extent of which the heirs have the requisite business skills, managerial capabilities, knowledge of company operations and attitudinal predisposition to handle the running of the business (Doescher, 1993; Fenn, 1994; Hyatt, 1992; Osborne, 1991).

Second factor which requires special care is concerned with personal relationships within the family and between family and non-family employees of the firm. The commonly cited issue here concerns trust and communication among family members (Barnes and Hershon, 1976; 1992; Kepner 1983; Williams, 1990). Dysfunctional conflicts, jealousy and sibling rivalries further worsen the relationship and affect business stability (Barnes and Hershon, 1976; Handler, 1991; Kepner, 1983; Kets de Vries, 1993; Schlossberg, 1992).

Thirdly, in evaluating a given succession, it has also been suggested that one should distinguish between the “quality” of the experience and the “effectiveness” of the succession (Handler, 1990; Kets de Vries; 1993). Determinants of business are diverse nature. Therefore, it is difficult to attribute success or failure of a small firm to a universal set (Coy et al., 2007) and measurement used to gauge business successes are suitable for large corporation and sometimes may not appropriate for small business. Thus, the root of success may lie in a combination of internal and external