

Family Business Succession: Hofstede's Value Dimension Among Chinese in the East Coast of Malaysia

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ABSTRACT

Family business inheritance among the Chinese community is a tradition that is known by the business community worldwide. Thus, family business among the Chinese community in Malaysia is no stranger. In fact, the inheritance of this business provides a unique and exciting dimension to be investigated by the Malaysian business community. The paper explores the empirical evaluation of the influence of the family business inheritance among the Chinese, who managed to overcome obstacles and conflicts through discussion and negotiation. This paper uses correlation test to investigate the effect of inheritance in a family business among the Chinese, by the variables such as power distance, uncertainty avoidance, masculinity vs femininity, individualism vs collectivism, time orientation and impact on value dimension. In addition, this paper uses factor analysis and regression testing to determine the main cause of problems in the family business inheritance among the Chinese community. Primary data were collected between August and October 2011 using a questionnaire. Meanwhile, secondary data were gathered through library research and interviews with Chinese traders on the East Coast of Malaysia. Ironically, the young Chinese showed no interest in family business inheritance. In addition, the study also found that the older generation did not object to the will of young people who are their children. In addition, qualitative studies have found that the main reasons for refusal to inherit the family business among the younger Chinese generation is due to jobs that offer lucrative wages compared to profits earned through the family business. Several other factors are job status, education level and age factors that play a role in influencing the younger Chinese generation to not inherit the family business.

KEYWORDS: Chinese Family Business, Business Inheritance, Succession Planning.

INTRODUCTON

All traditional business falls into the category of Small Medium Enterprises. These family held businesses or SMEs are among the most important contributors to wealth and employment creation in virtually every country of the world [1]. In fact, family businesses are fast becoming the dominant form of business enterprise in both developing and developed economies and their influence, as well as their numbers, can be expected to increase substantially in the future as the trend of globalization opens wider business route. Small medium enterprises business sector in Malaysia had grown 6.3% per annum on average since 2004 [2]. The SMEs are more vigilant than the so called giant conglomerates or the government linked companies (GLCs) as the SMEs were more capable to encounter the negative impacts created during the financial crisis in the late 90s. They helped the country to overcome tremendous changes in both local and global markets and contribute to stabilize the economy of the country. Studies have shown that countries like Taiwan, Hong Kong, Singapore and Malaysia were on a faster recovery pace during past economy crisis because the majority of SMEs in these places are owned by the Chinese, many of which are operated by family members with high resilience [3].

Definition of Terms

Traditional Chinese Business

Business found by the first generation of Chinese businessmen when then came to Malaya in the early days. This research also provides a snapshot of the transition of traditional Chinese business into a more contemporary Chinese business. Although, traditional Chinese business has become more modern, the goals and missions of the organization are still remained by the new generations. Examples of such business are the sundry shops, restaurants, Chinese medicine shops, bicycle shops, coffee shops, textiles shops and others. The terms of tradition Chinese

business was explained by three definitions such as relationship and communication, business meeting etiquette and negotiations in business[4].

Chinese Family Business

It refers to business operations with less than 200 employees at one time. Most Chinese businesses are run by the founder and assisted by family members. One article stated that almost all Chinese business in the East Asia Pacific are rooted from traditional Chinese family business but go through certain transformation over time which includes the structure of their business[5]. After a while, this transformation of Chinese family business will be expanded and extended. Finally, they will play major roles in the modern day's business and become the multinational company such as Pensonic and Khind electronics.

LITERATURE REVIEW

Succession was a challenge to family business for many reasons, including the need to address the issue of intergenerational handover. It occurs to any business all over the world, no organization will be spared [6]. In the past, researchers have conducted researches to develop theoretical models for explaining the succession planning worldwide and the findings were similar and applicable to the majority of cases and not only in the Malaysian scenario [7]. The literature search revealed that there are some theoretical models sighted from the [8] Family business succession; Appropriation risk and choice of successor. *Academy of Management Review*, addressed some of the major factors influenced the mapping up and the implementing the succession planning. It is known that the factors influencing the succession plan are complex, but in this case study of the Chinese SMEs in Malaysia, several successor-related factors which can influence the succession program process are empirically focused. There are several dependent variables other than the perceived success of the succession process which were measured by two underlying dimensions. They are satisfaction with the process and continued profitability of the business [9].

Willingness of the Successor to Take Over the Family Business

Equally important to the owner-manager's willingness to hand over the family business was that the successor must be interested and willing to take over the business [10] to play a role in the successful transition of the business from one generation to the next. The argument was that if the designated successor was reluctant to take over the family business, for whatever reason, the succession was unlikely to be well done. It was also found that while the propensity of successors to take over the business was an important influence on the owner-manager's satisfaction with the succession process, it does not influence the successor's satisfaction with the process[11]. A challenging task in most business succession planning is the importance of establishing clear definitions of family business. Various scholars have reviewed existing definitions, thoughts and conceptualization of family business. The acceptance of any family members to take over the family business was to determine the vision and control mechanisms used in firm with the creation of unique resources and capabilities market were carried out by the successor. A large of family business especially the Chinese family business had a significant impact of family ties in them. This family ties always was given to the gender of male rather than female[12].

Succession Planning Programme

The processes of handing over the responsibility of business and task to the younger generations is a tough job. A notable issue is the positive correlation between business succession planning and corporate performance [13]. She suggested that recent corporate failures especially among the family business are resulted from a singular motivated strategy of making profits. Family businesses nowadays have to admit the fact that any unethical behavior or conduct is detrimental to their reputation. Kopitiam for instance, was forced to rewrite its business principles and had created an elaborate mechanism to implement a new style after they had suffered couple of blows to its reputation for the old Kopitiam [14]. The lack of professional management and business ethics is one of the failure contributing factors to the Asian traditional family business especially the Chinese family business The definition of succession planning program is important because it implies which goals are being pursued by the family business. A strategy needs to be designed to succeed the family business with strategic management of goals. These goals involve the growth and the risk of succession planning to take over the family business. Family business interests and values are incorporated into the goals and objectives set for the firm. Family relationships influence strategies formulation. Succession planning within the family can be one of the most important strategies to determine the longevity of Chinese family firms[15].

Confucian Ethics

Confucianism, the most profound and dynamic thought system in traditional Chinese culture had for centuries exerted great influences on China's economy, politics, and culture[16]. It was not surprising that the traditional Chinese family business culture was deeply associated with Confucianism. The Confucian idea of profits was double-edged. Confucius made it abundantly clear that it was immoral of successors to concentrate on profits for their respective states [17]. Hence, the successors' of Chinese family business must have the righteousness outweighing the profits and spiritual values outweighing individual benefits and material values respectively. Ethics was deeply incorporated into Chinese family business activities. Consequently, it was insisted that the successors' behaviors be governed by ethical principles. The ethical principles could provide a set of useful rules and guidelines for the family business activities [18]. The central doctrine of Ren in Confucian which means goodness, benevolence, humanity, and kind-heartedness, occupied a prominent role in balancing ethics with the pursuit of profits. The successors' had sought to eliminate excessive profits by preventing such activities as cheating, manipulating supply and demand to bring about higher prices, and corrupting public officials. Confucian ethics have played an indispensable role even in family business activities where quality services and politeness to family members are priorities. In addition to Ren, Xin, another virtue literally meaning honesty and trustworthiness, was also important in directing family business activities. Only when ethical integrity was highlighted could justice be practiced and harmony is achieved in the Chinese family business community[19].

Family Leadership

Transformational leadership was introduced by [20]. Burns identified transforming as a process where one or more persons engaged with others in such a way that leaders and followers raised one another to higher levels of motivation and morality. Burns conceived this as an ethical and moral enterprise, through which the integrity of the organization would be maintained and enhanced. Furthermore, Burns theory had been furthered by [21]. Fitting with Burns theory, Bass identified transformational leadership as a process by which followers trust, admire, and respect their leader, and were consequently motivated to do more than they were originally expected to do. However, in contrast to transforming theory, transformational leadership as originally conceived may not necessarily elevate followers to higher moral ground but rather, depending on the leader's vision and personal motivation, may in fact lead followers in negative, unethical and immoral directions. Trusting, admiring and respecting a leader do not necessarily mean that followers will behave similarly in family business culture. In this way, transformational leadership may in fact be undesirable. Integrity in family business leadership has increasingly been a concern within their business cultures. Many family business organizational theories believe that leadership without integrity may ultimately place the family business organization at risk. Therefore, consideration of the integrity of transformational leadership was of critical and immediate concern [23]. Transformational leadership involves integrity; a concept commonly used within formal or informal discussion of leadership and organizational theory, but not clearly defined and understood. Integrity was firmly embedded within the moral relativist tradition in which perception of appropriate behavior can vary between peoples, cultures, and eras. It was suggested that there was a mismatch between the values and morals a leader may espouse, and the actual values represented in their behavior. As such "Behavioral Integrity" (BI) should be the focus in research rather than statement of integrity. This was very important because the positive organizational effects of integrity such as development of trust, increased commitment and reciprocal respect will be undermined if a leader's action do not match their proposals of ethical conduct, caring and honesty [22].

METHODOLOGY

In this section, a descriptive analysis was carried out in detail to see how the respondents make choices and assessment of the two objectives in this study such as to identify the causes of problematic in Chinese Business Succession Planning especially Malaysia SME and to evaluate the Chinese Business Succession Planning in Malaysia SME. Descriptive analysis was also carried out to look at factors that influence the Chinese business succession planning such as power distance, uncertainty avoidance, masculinity versus femininity, individualism versus collectivism and time orientation. Meanwhile, the factors of nature of business, age, education level and years in business were analyzed to see the extent of their influence on the dependent and independent variables.

Data Collection Method

The primary data was gathered from questionnaire and survey involves a process of stratified random sampling and convenience basis. Stratified is an efficient research sampling design that provides more information with a given sample size. It includes the generation of model, theories and hypotheses, the development of instruments and methods

for measurement, experimental control and manipulation of variables, collection of empirical data, modeling and analysis of data and lastly to evaluate the result. The questionnaire design used Likert Scale which consists of 1-5 rating scales. The rating scale for 1 is strongly disagree and scale for 5 is strongly agree. The questionnaires consists of two sections in which there are six parts in section B which are independent variables and dependent variable for examples uncertainty avoidance, masculinity versus femininity, individualism versus collectivism, power distance, time orientation and Chinese family business succession. The respondents will be asked to fill up the personal data in section A which consists of age, gender, marital status, educational level and others.

Research Instrument

This study gathered information about the Chinese business and surveyed about perception of Chinese family business succession among them and effectiveness of those programs. The effectiveness of the programs was determined by whether or not the family members believed, as indicated by the survey instrument and focus group interviews, that the programs helped increase and enhance their (a) understanding of Chinese family business succession knowledge, (b) traditional business skills and (c) family business performance-related attitudes. The emphasis of the study was on quantitative survey responses, with qualitative data from focus groups used to further explicate response themes. For the quantitative survey, the study employed a researcher-designed survey instrument adapted from various research frameworks. The survey instrument asked for the participant's gender. The research questions were explored through a series of 50 Likert scale statements. The survey items were based on domains of integrity knowledge, integrity skills, integrity performance-related attitudes, and the application of these. The chosen domains were those that were the most frequently cited and discussed as well as ranked the most important in the research. The focus group interview protocol was based on quantitative survey data. The main aim of the focus group interviews was to explore more of the participants views as expressed through the survey instrument.

RESULTS AND DISCUSSION

Test Modeling

The factor analysis is used to reduce the number of independent and dependent variables on a set of unique factors or modeling of a study conducted by researchers. It is a technique to detect the factors that affect the data in this study. The factor analysis is a multivariate technique which ensure that each dimension of the operational concepts was identified for the purpose of forming and verifying the validity of theoretical constructs used by the researchers. There are six factors that have been successfully extracted and showed a large role in influencing this study which are shown in the varimax rotation method in Table 1.

Table 1: Matric component transformation

Component	Analysis Factor					
	1	2	3	4	5	6
1	.948	-.041	-.188	-.100	-.175	-.153
2	.273	.592	.447	.359	.345	.358
3	.125	-.711	.306	.492	.354	-.136
4	.003	.177	.036	-.416	.679	-.577
5	-.035	.118	-.811	.455	.341	.058
6	.097	-.313	-.112	-.489	.384	.703

Extraction method: Analysis Component Principal.
Rotation method: Varimax with Kaiser Normalization.

Correlation Test

Table 2 shows the bi-variate correlation test done and it was found that there are a number of hypotheses testing that are available to produce the theoretical assumptions in this study. Among them are:

- 1) Power distance variables that have significant influence on the impact on value dimension variables is 0.0045 which is close to 0.000. The Pearson Correlation value indicates that the relationship is negative.
- 2) Variable Uncertainty avoidance has a significant relationship with the variable of impact on value dimension is 0.111 and Pearson Correlation value indicates that the relationship is positive.
- 3) Variable masculinity versus femininity has a strong significant relationship with the variable impact on value dimension as it is to 0.000 and the relationship is positive.
- 4) Variable individualism versus collectivism has a significant relationship with the variable impact on value dimension at 0.058 which is nearly 0.000 and the relationship is positive.

5) The time orientation variables have significant influence on the power distance. The variable of impact on value dimension is 0.137 and the relationship is positive.

6) The impact on value dimension variables has significant influence on masculinity versus femininity variable because the value is close to 0.000. Secondly, the individualism versus collectivism also has significant influence on the impact on value dimension but the value is 0.058 which is nearly 0.000. However, the power distance has significant value and this relationship is negative which was unaccepted. As a result from the correlation test, only masculinity versus femininity variable can be trusted and accepted because the significant value is at a level less than 0.01. Another variable that could be included is individualism versus collectivism.

Table 2: The outcomes of correlation test for each variables

		Power distance	Uncertainty avoidance	Masculinity vs femininity	Individualism vs collectivism	Time orientation	Impact on value dimension
Power distance	Correlation Pearson	1					
	Sig. (1-tailed)						
	N	100					
Uncertainty avoidance	Correlation Pearson	.510**	1				
	Sig. (1-tailed)	.000					
	N	100	100				
Masculinity vs Femininity	Correlation Pearson	.634**	.745**	1			
	Sig. (1-tailed)	.000	.000				
	N	100	100	100			
Individualism vs Collectivism	Correlation Pearson	.122	-.167	.081	1		
	Sig. (1-tailed)	.419	.066	.320			
	N	100	100	100	100		
Time Orientation	Correlation Pearson	.090	-.129	.137**	.735**	1	
	Sig. (1-tailed)	.114	.192	.008	.000		
	N	100	100	100	100	100	
Impact on value dimension	Correlation Pearson	-.045	.111	.000	.058*	.137**	1
	Sig. (1-tailed)	.137	.322	.497	.025	.002	
	N	100	100	100	100	100	100

** Correlation significant at the level 0.01 (1-tailed).
* Correlation significant at the level 0.05 (1-tailed).

Table 3 shows the standard regression analysis for variable masculinity vs femininity.

Model Summary ^b									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.721 ^a	.610	.022	.89440	.610	8.089	1	498	.000

a. Predicted (Constant), Mean masculinity vs femininity
b. Dependent variable: Impact on value dimension

Coefficient ^a						
Model		Unstandardized Coefficient		Standardized Coefficient	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.137	.158		19.895	.000
	Mean masculinity vs femininity	.133	.047	.721	2.896	.000

a. Dependent variables: Impact on value dimension

ANOVA ^b						
Model		Sum of Square	df	Mean Square	F	Sig.
1	Regression	6.496	1	6.496	8.099	.000 ^a
	Residual	399.442	498	.822		
	Total	405.939	499			

a. Predicted (Constant), Mean masculinity vs femininity
b. Dependent variable: Mean impact on value dimension

Analysis of the model summary in Table 3 shows that there is a significant positive relationship between the values of F in 0.000. The value R of 72.1% is very high and the value can be trusted due to ANOVA analysis. This is because the ANOVA analysis shows the value in the 0.000 regression. This value is shown that the variable of masculinity versus femininity has a significant influence towards mean impact on value dimension. Hence, the analysis of Coefficient confirms a positive and significant relationship between mean masculinity versus femininity and mean impact on value dimension. The implication of this result was stated that the Chinese family business succession planning is caused by the variables of masculinity versus femininity. This variable was retrieved from the evaluation of data regression. The coefficient analysis result which is 0.721 is strongly agreed by most of the respondents in this study. Another test is carried out for variable of mean individualism versus collectivism by the standard regression analysis in the Table 4 which provides an analysis.

Table 4: Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.098 ^a	.118	.106	.89936	.118	3.869	1	498	.080
a. Predicted(Constant), Mean individualism vs collectivism									
b. Dependent variables : Mean impact on value dimension									

Model	Coefficient ^a					
	Unstandardized Coefficient		Standardized Coefficient		T	Sig.
	B	Std. Error	Beta			
1	(Constant)	3.309	.140		23.592	.000
	Mean individualism vs collectivism	.080	.041	.098	1.967	.080
a. Dependent variables : Mean impact on value dimension						

ANOVA ^b						
Model		Sums of Square	df	Mean Square	F	Sig.
1	Regression	3.129	1	3.129	3.869	.080 ^a
	Residual	402.809	498	.809		
	Total	405.939	499			
a. Predicted(Constant), Mean individualism vs collectivism						
b. Dependent variables : Mean impact on value dimension						

Analysis of the model summary in Table 4 shows that there is a significant positive relationship between the values of F in 0.08. Even so, the value of R is 9.8%, a value that is too low and less reliable due to the ANOVA analysis that shows the regression value of 0.08. This value do not have strong influence towards the impact on value dimension. But the analysis of Coefficient confirms a positive and significant relationship between the mean individualism versus collectivism and mean impact on value dimension. However, the low beta coefficient analysis of 0.080 prevented the mean of individualism versus collectivism in positive implications towards the dependent variable of impact on the value dimension.

Quantitative analyses were conducted to address the proposed research questions and identify any patterns or relationships between the dependent and independent variables. Analysis of descriptive statistics were implemented to analyses data on these study variables such as power distance, uncertainty avoidance, masculinity versus femininity, individual versus collectivism and time orientation. It was found that only masculinity versus femininity and time orientation have impact on hofstede's value dimensions among Chinese family business succession on the east coast of Malaysia.

CONCLUSION

The summary of results of this study is as follows:

1) The empirical evidence from quantitative and qualitative findings indicate that the Chinese family business succession planning is actually influenced by masculinity vs femininity in a positive and significant relationship between each other. In addition, age factors also play an important role in creating both the family business succession.

2) The independent variable masculinity versus femininity, which were found to have a positive and significant relationship with the dependent variable in Chinese family business succession planning of quantitative study actually provides a solution to the researcher. This is because the items selected questions by the respondents in the category of masculinity versus femininity leads to the main ideas in succession planning. In fact, the question items given to the respondents through qualitative interviews conducted also yielded positive answers and they agreed that these ideas such as masculinity versus femininity may among the items. They was believed the material success rather than relationship in family business succession. The older generations of Chinese family member business was valuing achievement in family leadership, believe magnitude and significance of ethical challenge would help them to care for the weak, achieve my work goals through the assertiveness and modesty and believe in interpersonal harmony in family business succession planning.

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