

Leadership Skills in Family Business – Malaysia Case Study

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Abstract

This case examines the leadership skills in operating a family business legacy in producing batik. Challenges in managing a family business to survive and sustain in the batik industry lead the owner to improve leadership skills. The specific purpose of this case study was to learn about Hisham's leadership and organisational ownership activities to maintain the family-owned business's multi-generational legacy. Thus, this case involves a three-circle model (business, family and ownership). As the owner of the batik business, Hisham intend to improve his leadership skills by attending the training program, participating in trade events and learn in making a decision wisely in employment dilemma and selecting a supplier for his business. Plus, Hisham welcoming and invites local students to learn batik processing and allowed the customer to design their batik creation. To widen/further his family business, Hisham intends to expand the business to other states and countries besides recruiting new staff for his family business. In the family circle, Hisham learned batik skills and techniques from his father. An interesting about a family business is they have their loyal customer and fixed local suppliers. In the owner circle, Hisham (as a leader) has always improved his knowledge and business skills to upgrade the batik trend in the market.

Keywords: Family business, leadership skills,three circle model,Malaysia

1. INTRODUCTION

Family business plays a significant role in assisting domestic economic stability. Studies show that family-owned businesses are among the most common in Malaysia at an estimate of 80% and contribute 67 % to the national GDP (Cheng&Co, 2019). Plus, 90% of surveys among family businesses in Malaysia expect positive growth by the next two years (PwC, 2019). Miller and Le Breton-Miller (2005) report that multi-sector companies such as Michelin, Armani, Wal-Mart, Home Depot, IKEA was founded and operated by the family. These family businesses continue to dominate most of the world's economies. Although these studies are limited to cross-cultural, they are still a major source of entrepreneurship. Hence, this study is to identify the characteristics of leadership in family business legacy. Leadership skills could lead to motivate and influence other family members and boost employees to work harder in achieving the company's goals Walsh (2021)

Refer to the definition, Oudah, Jabeen, & Dixon (2018) described leadership as guiding others to understand and accept what needs to be done and how it is to be done; it is the process of helping

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individuals equip themselves with the knowledge to accomplish a unified objective. In a family business, achieving competent family leadership through the generations is one of the greatest challenges to business continuity. Family leaders retain all key information and decision-making authority, and managers closely supervise employees, giving subordinates little discretionary leadership. Participatory leadership occurs when the leader of an organization engages in organizational decision-making and directs the organization. Originally, leadership research focused on groups. Participating leaders also tend to build team understanding and cooperation, improve satisfaction, resolve conflicts, improve decision-making, improve decision-making quality, develop leadership and decision-making skills, increase business understanding and enrich work. Kandade et al. (2021) believed that leadership skill is one of the successor determinants of family firm sustainability across generations.

2. THE CONCEPTS

To be successful in business, companies need to set their goals so that they can create effective work structures, evaluate company performance, and more importantly provide strong leadership. In a family business, leadership assumes a little different meaning than what is generally understood. There is a lot of things that need to be prepared. It is because family business leadership is different from non-family business. When it comes to leadership in the family business, it is more complicated and complex needs to be aware. The leadership among the family must be the focus and struggle to ensure the developmentally the business from start-up, the growth to the maturity level as well. All the business progress must be sharp and minimise the inappropriate mistakes to prevent any family arguments. When the business leadership transaction is not well structured it may cause expensive legal issues leading to the sale or eventual loss of the business.

The family business is a business that involves a relationship between business and family. The family business is a business that is passed down from generation to generation. This said that family business is full of history and secrets. Not many people know or understand how family business maintained its success except being profitable to survive. But, the family business can survive with an understanding of the right system. A conceptual model held family business is overlapping of two subsystems: The family and the business. However, there is a discussion about ownership and two subsystems until the existing three-circle model that describe family business systems as three independent but overlapping subsystems: Family, ownership, and business (Tagiuri and Davis, 1992).

What makes a family business unique is that the model of ownership, governance, and succession management substantially affects its goals, strategies, structures, and the way it is formulated, designed and implemented as a business activity (Chua et al., 1999; Mandl, 2008). The family planning process has many benefits. It encourages future generations and in-laws to understand family history and values. It strengthens the process of good family communication. It supports the development of family agreements on issues such as employment or ownership before certain decisions are made. It provides a fair process for family planning and decision making. It represents hope for problems that exist such as money, jobs, and control.

Conflict is a very stressful thing and it can influence many things and give neither a positive nor negative impact on a business. Usually, a conflict of family business arises within the issue of business and family. Families and businesses are affected by many aspects or roles such as ambiguity, conflicts and communication difficulties and business decisions. Family business conflict can also come through multiple levels of conflicts from a business, family and also a stakeholder (Harvey M and Evans R.E, 1994). However, family business conflicts also are affected by internal and external changes. For instance, management quality contributes to the conflicts in terms of lack of clear objectives, inability

to anticipate or adjust to environmental changes, absence of financial planning systems and misuse of the company's resources as a source of family financing (Silva, Coelho, Sousa, & Quesado, 2021). To overcome conflicts, firstly, must identify and understand the cause or the source of the conflicts and then a right and good decision must be made. Based on Gavric (2021), integrating and compromising conflict management strategies is vital to success the planning and knowledge transfer. In contrast, dominant leaders are less willing to plan for succession, as they would prefer to retain all the crucial information and decision-making authority and are therefore reluctant to share their knowledge and power. Hence, Gavric (2021) opined that effective conflict management strategies can be applied for family relationship and business continuity. Every leader in family business need to learn how to manage the conflict.

A function of the attitudes of the owner-manager towards both the family and the business. In a previous study conducted in the United Kingdom, Birley et al. (1999) found three very distinct clusters of attitude that they named The Family Rules Group who were very clear that, for example, children should be involved in the business at an early age and that successors should be chosen from the family. Next was The Family Out Group had opposed views to their colleague Family Rules members. Last but not least, The Family-Business Jugglers did not express strong views on any of the issues but were "concerned to arrive at an appropriate balance between family and business issues".

A successful business is what every organisation needs. To be successful in business, a firm must first define its objectives. This will allow the company to develop an effective work structure, evaluate its performance, and, most importantly, offer strong leadership. However, nothing is known about how a family company was able to sustain its success other than the fact that it had to be lucrative to exist (Tagiuri & Davis, 1992). The positive attitudes of each component inside the three-circle model are critical to the long-term viability of family enterprises. Contrary to this, disputes within a family business are unavoidable, and a mutual understanding of each individual's position is essential for the next generation to receive a successful enterprise (Stewart, 2017).

The three-circle represents the family, company, and owner components of the business model. The circle size represents the study's leadership and ownership activities. The bold lettering symbolises the three-circle symbol of Hisham's equality in managing the family company heritage. Hisham will be in the centre of all three overlapping groupings since he represents all three model components (family, business, and owner). This person will be seated in the middle of the three overlapping circles (Tagiuri and Davis, 1992).

3. METHOD

The method used in this study is qualitative. A depth and semi-structured interview method were conducted in 40 minutes with En. Hisham, as the second generation business manager at Rozoli Batik. The interview started with the business background question, followed by family business history, challenges, leadership skills, expectations, operation, marketing and internal and external issues. A standard interview protocol was applied, and the interview was voice-recorded with the consent of Hisham. Verbatim responses were transcribed for thematic analysis. All notes taking during the interview including the recording notes were examined for themes and meaning for this study. The themes were categorized based on components within the three-circle model for the family business (i.e. family, business and owner) as the study conceptual framework. The interview was conducted in Malay languages and all the information are translated into English and presented in the result to support the findings. During the interview process, it's a need to understand the participants' interpretation of their experience (emic view) and literature interpretation of the phenomenon (etic view).

4. RESULTS

The objective of this case study was to explore and understand the leadership skills and ownership actions by Hisham to maintain the bi-generation business legacy. Thus, the results are explained based on the three circle model: Business, family and ownership.

4.1 The Business

Business components play an important role in leadership in the business. Hisham's family batik business was started in 1982s by his father (as a first-generation), who manufactures various types of batik in Kota Bharu, Kelantan. Back in 1982s, his father used his capital to buy machinery, raw materials, and entertainment. Batik was the first product manufactured by his father, as he realized that batik was a well-known product in Kelantan and almost in Malaysia. The design of the batik was unique to Malaysian. His father started selling the batik as a first product to the business until it became popular around the neighbourhood. Not only that, but his father also had futsal court as his second income to the family business.

During the years, the business became widespread in the area. There was a time where Hisham received high demand from Brunei. To achieve the batik request, 130 employees were employed by his father to manufacture the batik promptly. This was the onset for Hisham's family business development. Later on, many customers were getting a visit at the business premises until the area became a popular place for batik production nowadays. Eventually, the batik business was evolved through marriage events between families and emerged as a local industry because lots of entrepreneurs also doing the same product but with different designs and different processes.

In 2002, Hisham as a second-generation family member continues managing the batik business. All this while, his father had a specific name for his batik and the brand name had been using continuously around this year by Hisham for his batik products. Under Hisham's management, the asset of the company was bought using his capital to buy as his father did not leave any cash for him. He loaned from an SME bank and RM 2000 from his family to operate the business. Based on his leadership, 13 employees were employed by him and he was able to earn a profit from the first month to covered back his expenses. To increase this knowledge in leadership, Hisham had been attended training and program. Although the business had developed well and applied few modernizations, however, some of the operations were still maintained in a traditional way, such as manual salary payment to the employees.

"As a successful entrepreneur, a business might earn a profit even faced its loss. I had been facing a financial problem as the profit was reducing. When I sold my product to middlemen and those middlemen will cut the price as they needed to sell for their customers. Sometimes, customers were requesting for cutting down the price of batik as the selling price was very expensive. I had been managing my finances wisely to solve all the financial problems with several solutions based on my leadership knowledge."

Before Hisham took over the family business management, his father exporting batik to other countries, but stopped export for some reason.

Then, since Hisham manage the business, he had actively participated in business trade events. In addition, to increase local customers, Hisham aimed to market their batik business to another state in Malaysia. Therefore, Hisham started his plan to expand the business step by step. He hired outdoor employees to help him in designing the batik and indoor workers were painting the batik. Even Hisham has planned accordingly, but some of the batik designs were complicated and might burden and more time needed to become the finishing product.

Complication request was not the only challenge faced by Hisham. After leading the family business, Hisham is still facing difficulty in absenteeism employees. Most of the reasons are sick or need to attend the event (majlis kenduri). This would cause the production of Hisham were not able to finish on time. Not only that, Hisham does not give any punishment to his employees as he realized that the reasons were logical for taking off days. To ensure the batik production is ongoing, Hisham employs internship students with the experience to make batik. The production progress would help him to expand and penetrate a larger market, particularly in other states.

Other than absenteeism workers' issues, he also faced price competition from other companies. Therefore, Hisham's strategies are to choose the best and unique design of batik for customers by making a selection. To maintain the quality of the batik, Hisham would maintain the quality of the raw materials. Hisham bought the raw materials from a local supplier as he stopped ordering the materials from China. This is because Hisham realized that the demand from customers had been less from year by year, but he had purchased materials in huge amounts. If he ordered continuously with China, it would cause him to face more loss profit in business. Therefore, he ensured the sources were from the same suppliers that could be earning benefits for him in the long last term.

“Operational time for my business was 9 am to 4:30 pm, in six days a week and Friday was my business off day. I had been preparing a place for them to pray. Next, my business never stops receiving customers. This would help us to maintain the customers' relationship and they can help me to promote my batik for their friends. Not only that, but loyal customers also always visited my business as my father served them in good satisfaction services. Therefore, it is a trend for me to maintain a relationship with them and it can gain profit for me to expand the business.”

To offer the best services of batik business, Hisham had made a visiting and learning program for local students and let them gain knowledge of the process of making batik. Thus, his shop was constantly receiving secondary students more than primary students by visiting. He realized that many students were happy to learn the process of batik as his staff and he was giving an interesting explanation for them. Not only that, but he also gave a chance for students to colour the batik. The leadership skills showed by Hisham in the business legacy, contributes to the customers first choice in cloth products. This strategy was started by Hisham's father and he continued providing various products from other companies until the present day. In other sites, Hisham allowed customers to give a design picture to him based on their request. He tried to produce different designs of batik that could increase the demand and satisfaction of customers.

For future business development, Hisham aimed to expand the business into other states with his leadership. He planned to recruit new staff to help in the batik business, particularly in the shop by teaching them the skills of making batik. Hisham planned to expand his family business more outside of Kelantan, throughout Malaysia. Before this, Hisham had been surveying other states before he made a plan to expand the business. This was a difficult task for him as different states had different cultures, he needed to learn more skills to manufacture batik. At the moment, the types of batik produced by Rozoli Batik were silk., cotton, jacket and setting. Through a business matching with other countries which was Brunei, there was an expression of interest to expand his business. Thus, Hisham would like to strengthen the company's research and product development to meet this demand. He realized that continuous research and development were important for a company's survival and competitive advantage.

4.2 The Family

The purpose of the family component in a family-owned business is to educate family members about the responsibilities that come with company management. In the case of this business, the great father

(i.e. the first generation) played a critical role in educating family members about the batik business. The existence of at least two generations in a family doing business is considered as a family business.

The first-generation business was led by Hisham father while it was taken over by Hisham since the year 2002 till now. Hisham started to be involved with the family business since he finished his secondary school education. According to Hisham, he learned about the family business from his father.

“I have been involved with this business since I was a small kid. I followed my father to the batik factory. I helped my father to examine the batik. My father teaches me about business time by time. He teaches me how to produce the batik, but he still manages the overall creating batik process. During those days, the workers and I will just follow his instructions and finish our tasks given.”

Hisham is the second child of five (5) siblings. He is the only one that involves in the batik family business. His siblings do not enter the batik industry as they are not interested in this. This has made Hisham the only one who takes over the family business. At the moment, only Hisham is involved directly with the whole management of the family business covering financial, operation, and marketing.

“My father is helping a lot. We manage the business together before this. I learned a lot from my father, especially the management skills and techniques to produce the batik. Most of my customers are loyal customers that buy from my father till now. We have kept in contact with them to ensure our relationship can last longer.”

Hisham has the responsibility to maintain the legacy of the batik business. Every process in producing batik is conducted traditionally. The whole process including waxing or lining on the fabric, colouring and boiling are all done by hand. This family business has had several fixed local suppliers for the raw materials since old times and Hisham has maintained the business contacts until now. Although he has taken over this business for many years, he did his best to operate this business with an excellent result.

4.3 The Owner

Commonly, the first owner of the company will plan all the progress from the beginning till the customer delivery. It is because to ensure all operations in the company will run smoothly as planned. The same goes for the family business legacy planning which focuses on the procedure of batik's operation. Hisham father operates his company from 1982 until 2002. Hisham father act as the founder of the family business legacy was struggled to build up the organisation including the management, operation procedure and resources supplier. All of these things are an important part of the family business company. Hisham father has also been aware of the development of the company since the beginning. He always struggled to make strategic planning for the family business to move forward and keep sustain in the batik market.

After 2002 Hisham took over the company. Hisham manages the company since 2002 till now. Hisham was studied until high school then he decided to continue his father's legacy which is the family batik business. Hisham keeps learning about the batik business and prepares as a leader to lead the family business by himself. Hisham feels very interested to learn about batik art. It is because Hisham already knows about it since he was still in school. All the operation decisions come from Hisham since that and he keeps using standards of operation from his father as well. However, there are a few bit changes from Hisham to fulfil market demands such as in quantity of fabrics order and total of the worker. Some changes have been made because of the fluctuating market demand but some changes because of Hisham thought. Generally, all of the changes for a good reason for the family business.

“Since my father opened Rozoli Batik and running the company until getting an income and profit to survive for his family. I feel like to work like him and try to sustain the Rozoli Batik consider as his pleasure why not I try it? Even though my siblings did not want to continue it, I offer myself to continue his legacy with the regular customer and keep improving myself to another level of success.”

All of this happened must be a reason behind Hisham. He took it to challenge himself and try to give his best shot for this family business legacy. For now, Hisham keeps struggling to improve the family business and target to achieve more than his father.

5. DISCUSSIONS

The results showed the significant between leadership and ownership with the three-circle (i.e. family, business and ownership). The three-circle model for the Hisham family business legacy is presented in Figure 1 below.

Refer to Figure 1, the three-circle that interdependent and overlapping, representing three components of the business model that is family, business and owner. The size of the circle indicates the leadership and ownership activities found in this study. The text in bold represents the three-circle characteristic that showing equality to the Hisham in managing the family business legacy. Based on the three-circle model, Hisham will be in the middle of all the three overlapping groups because he presenting all the three characteristic components (i.e. family, business, owner) of the model. A family member who worked in the business and is an owner will be sitting in the centre of the three overlapping circles (Tagiuri and Davis, 1992).

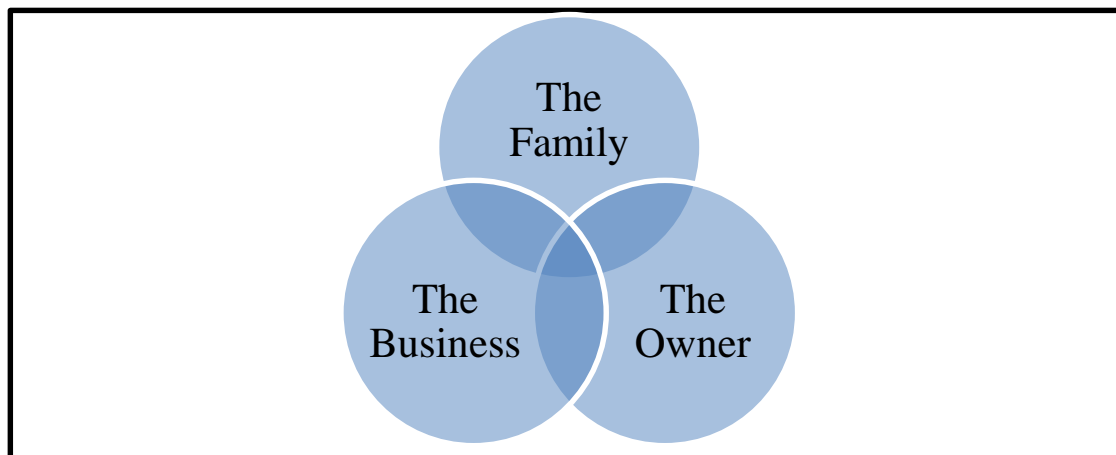


Figure 1: The three-circle for Rozoli Batik

In this case study, the owner shows the leadership skills in tackling the problems faces from different stages. Hisham father is the first generation of a family business who managed the family business since 1982. He was doing everything he can to move forward and make sure the family business become sustainable in the batik market. In Figure 1, the degree for the owner is equal to the business and family. Its means that Hisham is also involved in managing the family business. Hisham managing since 2002, this makes him the second generation of the family business legacy. He managed all the business by himself but still taking and listening to advise from his father. His decision and leadership will determine the future of the family business legacy, ownership configuration or stage of ownership evolution explain family business behaviour and conduct the prescriptions for the family business.

Next, the role of family for the Hisham family is more on education. Its start with Hisham father that taught his children about the batik business. Hisham father acted as an informal trainer that taught all

his children about the process of creating and producing a batik until managing the business. The knowledge has been passing down to all his children. In figure 1 shows that the degree for all the three-circle is equal which means that the business activities carried out by the family member is equal to the degree of business and owner. Hisham has also been involved in this business since he was still in secondary school. He became an informal trainee at the family business. After finishing his Malaysia Certificate of Education (SPM), he takes over the business family legacy from his father. However, his father still acted as an advisor for him in this business legacy. Hisham continuing this business legacy until now. He also training all the new workers all by himself. Currently, this business legacy is in the hand of Hisham since he is the only one handling the business legacy. Family firms may lose their orientation toward Intra organizational family-based relatedness because of change in cultural work within the family firms. However, this business legacy might grow even bigger before got into another successor because Hisham is still young and can capture a lot of opportunities and bring the business legacy to enter a new market.

Finally, the business role in the case of this study is carried out by Hisham as a current owner and successor of the family business legacy. Figure 1 shows that the degree for business activities is equal to the family activity and owner. This is because Hisham is the key person that managing the family business. He handled all by himself, he thinks about operation, delivery, processing and even managing all the workers. Hisham even facing difficulties while managing the family business such as absenteeism and find experienced workers. However, he never involves the business issues with the family issues. He separates both of these issues so that he can get a different outcome for both issues because being concerned about business outcomes and family outcomes is one of the family business features (Yu et al., 2012). He is solving all the issues by himself. This showed that Hisham had a characteristic of good leadership and entrepreneur.

6. CONCLUSIONS

In conclusion, the objective of this study is to show leadership skills based on the three-circle model. Strong leaders are what unite businesses into powerful entities. Leadership skills are what will influence others to work harder and efficiently. Leaders characters help develop a strong bond of trust and build teamwork and lead the business to success. Conversely, if the leaders in the family business do not possess the necessary leadership skills, the business will suffer and probably fail. Thus, the family business needs to invest in leadership education and skills. It's not enough to have a vision for the business; they also needed to get people interested about what they were doing. Effective leaders are referred to be compelling leaders. They motivate and inspire others in their companies, institutions, and communities. Based on the findings, it is understand that leadership skills are blended through the family, business and ownership. Thus, the three-circle model is applied for this study as a guiding theory. The three-circle model proved the existence of the relationship between leadership in the overlapping circles that are interconnected. However, the three-circle model also has limitations especially in identifying the performance of the family business. Based on the results, this study identified that the three-circles model representing three components of family business known as family, business and ownership. The size of the circles indicates the degree of the activities involved in each of the components. From the results, the equal size of the three circles shows that the activities conducted by Hisham are equivalent for the family, business and owner. This shows that the interactions between the three circles are presenting an impact on the family business legacy. Hisham also wants to try entering the international market in the future. This strategic decision has been made after he includes all the factors closely related to the family, business and owner.

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