

**THE RELATIONSHIPS AMONG  
ENTREPRENEURIAL TRAINING FACTORS,  
SUCCESSION PLANNING, SOCIAL CAPITAL,  
ENTREPRENEURIAL LEADERSHIP AND  
PERFORMANCE IN FAMILY BUSINESS**

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by

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## **LIST OF ABBREVIATIONS**

EL	Entrepreneurial Leadership
ET	Entrepreneurial Training
FBP	Family Business Performance
GDP	Gross Domestic Product
GMP	Good Manufacturing Practices
ISO	International Standard Organisation
KPI	Key Performance Indicator
MeSTI	Makanan Selamat Tanggungjawab Industri
MyIPO	Intellectual Property Corporation of Malaysia
SC	Social Capital
SME	Small Medium Enterprise
SP	Succession Planning
TA	Family-Centric Trainer Attributes
TAB	Family-Centric Trainee Absorption
TD	Family-Orientation Training Design

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**HUBUNGAN DI ANTARA FAKTOR-FAKTOR LATIHAN  
KEUSAHAWANAN, PERANCANGAN PENGGANTIAN, MODAL SOSIAL,  
KEPIMPINAN KEUSAHAWANAN DAN PRESTASI  
DALAM PERNIAGAAN KELUARGA**

**ABSTRAK**

Perniagaan keluarga memainkan peranan dalam kemajuan ekonomi negara. Walau bagaimanapun, perniagaan dalam kategori kecil dan sederhana (PKS) mempunyai kadar kelangsungan yang rendah. Kurang daripada dua pertiga perniagaan keluarga masih beroperasi melebihi generasi pertama. Sementara itu, latihan keusahawanan yang dijalankan oleh kerajaan adalah bersifat generik dengan penekanan minimum diberikan dalam menangani masalah berkaitan keluarga dalam perniagaan keluarga. Kajian ini bertujuan untuk mengenalpasti hubungan antara faktor-faktor latihan keusahawanan, perancangan penggantian, modal sosial, kepimpinan keusahawanan dan prestasi dalam perniagaan keluarga. Dengan menggunakan kaedah persampelan mudah, kajian keratan rentas ini menggunakan soal selidik. Sejumlah 396 respons berguna diperoleh daripada pemilik perniagaan keluarga yang menghadiri latihan yang dijalankan oleh agensi-agensi kerajaan. Hipotesis hubungan antara faktor-faktor latihan keusahawanan, perancangan penggantian, modal sosial, kepimpinan keusahawanan dan prestasi perniagaan adalah bersandarkan kepada teori '*Resource-Based View (RBV)*' dan '*Absorptive Capacity*'. Kajian ini menggunakan '*Partial Least Square of Structural Equation Modeling (PLS-SEM)*' untuk menguji hipotesis-hipotesis. Kajian ini mendapati bahawa kedua-dua corak latihan berorientasikan keluarga dan ciri-ciri jurulatih berasaskan keluarga

mempunyai kesan langsung yang ketara terhadap prestasi perniagaan keluarga. Manakala rancangan penggantian berperanan sebagai pengantara dalam hubungan antara faktor-faktor latihan keusahawanan iaitu corak latihan dan ciri-ciri jurulatih dengan prestasi. Secara teori, kajian ini menyumbang kepada teori RBV di mana ianya membincangkan sumber ilmu daripada konteks latihan terutamanya faktor-faktor latihan keusahawanan yang dijalankan oleh pihak kerajaan. Kajian ini mencadangkan penerokaan bagi rancangan penggantian dan modal sosial sebagai mekanisma dalam penyerapan ilmu untuk dijalankan dalam kajian masa hadapan. Sebagai implikasi praktikal, kajian ini memberi pandangan berguna kepada agensi-agensi kerajaan untuk merumuskan corak latihan yang betul dengan menerapkan konsep orientasi keluarga di samping memberi perhatian kepada kualiti tersendiri dalam kalangan jurulatih dalam menyampaikan latihan kepada perniagaan keluarga. Di samping itu, perniagaan keluarga haruslah melaksanakan amalan perancangan penggantian dalam merealisasikan prestasi positif serta kelangsungan bagi perniagaan tersebut.

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**ABSTRACT**

Family business played a role in the national economic development. However, those in small and medium category (SME) has low survival rate. Less than two-third of the family business survived beyond the first generation. While, entrepreneurial training conducted by the government is rather generic with minimal emphasis given to addressing family-related issues in family business. This study aims to examine the relationship among entrepreneurial training factors, succession planning, social capital, entrepreneurial leadership and performance in family business. Using a convenience sampling technique, this cross-sectional study used questionnaires. A total of 396 usable responses were received from family business owners who attended the training provided by the government agencies. The hypothesized relationships among entrepreneurial training factors, succession planning, social capital, entrepreneurial leadership and performance were based on the Resource-Based View (RBV) and the Absorptive Capacity theory. This study employed Partial Least Square of Structural Equation Modelling (PLS-SEM) to test the hypotheses. The findings revealed that both family-orientation training design and family-centric trainer attributes have significant effects on the performance of family business. While succession planning plays a significant role in mediating the relationship between the entrepreneurial training factors, namely, training design and trainer attributes with the

performance. Theoretically, this study contributes to the RBV theory where it discusses the knowledge resources from the training context, particularly factors within entrepreneurial training conducted by the government. This study suggested an exploration of succession planning and social capital as the mechanism in the knowledge absorption to be carried out in future research. As a practical implication, this study offers useful insight for the government agencies to formulate the right design which incorporates the family-orientation concept while focusing on the distinctive quality among trainers in delivering training to family business. In addition, family business should implement succession planning practice in realising favourable performance and continuity for the business.

# **CHAPTER 1**

## **INTRODUCTION**

### **1.1 Introduction**

This chapter provides an overview of the research. In particular, it discusses the background of the study on family businesses in Malaysia. It also discusses issues pertaining entrepreneurial training factors, succession planning and social capital that influence the performance of family business SMEs. The role of entrepreneurial leadership in influencing the business is also studied. The chapter also listed the research questions, research objectives, besides highlighting both theoretical and practical significance and the scope of the study.

### **1.2 Background of Study**

Family business possesses a significant role in influencing the world's economic development (Samphantharak, 2019; Lee, Lee, Chua, & Han, 2017; Sonfield, Lussier, & Sreih, 2016). In the United State (US) for instance, family businesses reportedly contribute over 50 per cent toward both the national Gross Domestic Product (GDP) and employment (Sreih, Lussier, & Sonfield, 2019; Sonfield et al., 2016). While in Malaysia, studies conducted by Lee et al. (2017) and. Ghee et al. (2015) highlighted the significance of family business in fuelling the economic development of the emerging, developing and developed economies through nurturing cross generational entrepreneurs.

Despite the importance, the sustainability of family business among SME category is worrying as only 13 per cent of the business lasted through to the third generation,

while less than two-third survived to the second generation (Tang & Hussin, 2020; Ward, 2016a; Ghee et al., 2015; Poza, 2013). Similar to the challenges faced by SMEs like financial, marketing and others (Muhammad, Char, Yaso, & Hassan, 2010), family business SMEs have other specific issues like succession matter, conflicts and rivalries among members, nepotism and other family-related issues which significantly contribute towards business failure (Liu, Eubanks, & Chater, 2015; Mckee, et al. 2014; Buang, Ganefri, & Sidek, 2013; Lubatkin, Schulze, Ling, & Dino, 2005).

Nevertheless, due to the enormous contribution made, the government through its ministries has emphasized its efforts on SMEs in order to support further developments (Raki & Shakur, 2018). SME represents more than 98 per cent of the total business establishments with a 40.4 per cent contribution towards the total country GDP (Wasiuzzaman & Nurdin, 2019; Ali, Mohamad, & Bahador, 2018; DOSM, 2017). In particular, the Ministry of Entrepreneurs Development (MED) has collaborated with other related ministries and agencies towards this entrepreneurship development agenda (Raki & Shakur, 2018; Shamsuddin, Sarkawi, Jaafar, & Abd Rahim, 2017).

The agenda of SME development were given more emphasis and focus especially during the 9<sup>th</sup> and 10<sup>th</sup> Malaysian Plan (MP) with an allocation worth RM3.8 billion and RM11.9 billion respectively (Zainol, Osman, Shokory, Samsudin, & Hashim, 2018a; Hung, Effendi, Talib, & Rani, 2011). This effort is continued during the 11<sup>th</sup> MP with SMEs regarded as the nation's engine for growth and innovation for the nation's continuous economic growth (Ali et al., 2018). Among the action taken to

ensure SMEs development is through the provision of entrepreneurial training activities (The Economic Planning Unit, 2016; Hung et al., 2011).

Besides funding and training, collaboration with industries are among the initiatives taken in strengthening the SMEs' capacity and capability (The Economic Planning Unit, 2016). For instance, the government collaborates with the Construction Industry Development Board (CIDB), and other related bodies to develop industry-relevant modules and designing skilled apprenticeship program which aligned with the needs of SME (Ali et al., 2018). However, among the SMEs are family businesses with distinct characteristic which might require specific training.

### **1.2.1 Overview of Family Business SMEs**

Family business has distinct characteristic from other form of businesses. Johan Kjellman (2014) distinguished family and non-family business with the family members' involvement. Ibrahim, Soufani, and Lam (2003) posited that the overlap between family and business system makes family business a unique social system. Ibrahim et al. (2003) also stated that the interaction is one form of competitive advantages of the family business. However, it could also cause issues that could have unfavourable impact towards business performance.

Indeed, past studies indicate that the definition of family varies among studies. In this study, the definition is adopted from Intihar and Pollack (2012, p. 77), where family business is defined as a business with substantial family presence in ownership, governance, management and employment. The definition is elaborated further according to each of the four components mentioned. Table 1.1 describes each component of the family business definition for this study. Family business SMEs are

categorised based on the largest portion of ownership (ownership), decision making made by family members (governance), existence of succession planning (management) and family members involved in the business (employment).

Table 1.1: *The Study Family Business Component*

<b>Component</b>	<b>Definition</b>	<b>Source</b>
<b>Ownership</b>	The family holds majority of the business ownership (more than 50 per cent)	Barontini & Caprio (2006)
<b>Governance</b>	The family directly involves in major decision making of the business	Brenes et al. (2011)
<b>Succession Planning (Management)</b>	An existence or at least a plan-in-mind to have a successor among family members for succeeding the business	Davis & Harveston (1998).
<b>Employment</b>	At least two family members (inclusive of the owner) employed in the business	Westhead & Cowling (1998)

### **1.2.1(a) Family Business SMEs Characteristics**

There are many factors that contribute towards the success of family business. Apart from business challenges in terms of financial, marketing, product and management (Tehseen, Ahmed, Qureshi, Uddin, & Ramayah, 2019; Aziz & Samad, 2016; Muhammad et al., 2010), family-related issues are attributed as strong determinants in realising the success of the family business. Factors like family relationship, succession planning, family conflict management, family presence and predecessor-successor knowledge management are significant in influencing the performance of the family business (Tang & Hussin, 2020; Santiago, Pandey, & Manalac, 2019; Sreih et al., 2019; Cabrera-Suarez, Garcia-Almeida, & De Saa-Perez, 2018; Decker, Heinrichs, Jaskiewicz, & Rau, 2017).



A study conducted by Sreih et al. (2019) posited that an effective management in handling conflict among family members is essential for family business. It helps to increase the probability of success among family businesses when coupled with good team-management decision making approach and structured succession planning. Also, it is asserted that tacit knowledge and information possessed by the owner is considered the key in the development of successor and succession process as a whole (Cabrera-Suarez et al., 2018). Subsequently, it helps the business to gain competitive advantage and lead towards favourable performance of the family business. In Malaysia, Tang and Hussin (2020) highlighted the struggles that family business SME owners faced to convince their children to inherit the business which lead towards the failure of the business to sustain longer beyond the current generation.

On one hand, family is attributed as the source of strength for businesses (Bau, Chirico, Pittino, Backman, & Klaesson, 2019; Lumpkin, Martin, & Vaughn, 2008). This is reflected in the high level of commitment and motivation among members, prompt decision making, flexibility in daily business activities and common business goal to be achieved (Ibrahim et al., 2003). On the other hand, family could give unfavourable influence such as conflicts and rivalries among members, improper succession issues, breaching trust of family members and others. These issues could hamper family business SMEs' development further (Decker et al., 2017; Ghee et al., 2015; Mckee, Madden, Kellermanns, & Eddleston, 2014).

However, looking at entrepreneurial training conducted by the government, it seems to be generic or rather aligned to specific characteristic of the industry (Ali et al., 2018; Munoz, Welsh, Chan, & Raven, 2015). Minimal emphasis is given in addressing

family-related issues which is critical to family business SMEs. Munoz et al. (2015) stated that topics covered are mainly on business functional areas like management, product, marketing, operation, financial and so on. Additionally, there are training and development programs which focuses on penetrating international market as well as the development of modules and apprenticeship program specifically for construction industry players (Ali et al., 2018; Toh, 2018).

Nevertheless, despite that family-related issues proved to have a significant effect in determining the success or failure of SME business in Malaysia (Tang & Hussin, 2020; Ghee et al., 2015), it is unfortunate to note that there is no published data of family business available in Malaysia to date. Thus, the importance of family element is missing from the entrepreneurial development agenda carried out by the government. As such, examining a specific nature of entrepreneurial training given to address family-related issues and its influence towards family business SMEs' performance is vital.

### **1.2.1(b) The Success and Failure of Family Business SMEs**

There are a number of established family business SMEs reportedly in Malaysia. The likes of Jeruk Madu Pak Ali (Pak Ali), Noor Arfa Batik exemplified reputable family businesses among SME within their respective industries (Latip, 2012). In fact, some of family businesses' success and failure are documented as a source for future references (Gomez & Tuan, 2014).

An exemplary success story, Pak Ali's business started from just a small business but has grown rapidly and expanded abroad to Brunei, Singapore and even Ireland. Currently, it is in the hand of the second generation owner, Alias Ali. The business has

been awarded with the Excellent ‘Agropreneur’ Award 2017. Their success could be attributed to hard work as well as successful technology adaptation in ensuring the business remains relevant ([www.astroawani.com](http://www.astroawani.com)). In addition, the business is actively involved in various initiatives or the Government Support Programs (GSPs) through its agencies in developing SMEs in Malaysia (Shamsuddin et al., 2017). This is one of the strategic tools acclaimed for indigenous entrepreneurs to enhance their performance (Hashim, Tajuddin, & Zainol, 2015).

However, it is unfortunate to note that not all family businesses have flourished as expected and dispute among family members can be the cause of the failure. In a slightly different context in term of the business size, it is reported that a family-owned soymilk brand of Yeo’s (Yeo Hup Seng, YHS) collapsed due to dispute among family members (Gomez & Tuan, 2014). The argument over investment and management decision portrayed YHS’ lack of organizational and managerial competence and as a result, the company was taken over and left the Yeo family with minimal equity in the company (Lee & Li, 2009). As a subsidiary business of a property-based corporation, investment in drink business is insufficiently made which has reduced Yeo’s powerful brand name in soft drink industry (Gomez & Tuan, 2014; Lee & Li, 2009).

The issues faced by family business SMEs are more problematic due to challenges from both perspective of business (financial, operation, product and marketing) and family (conflict, rivalries among members, succession and others) (Ghee et al., 2015). One of the issues faced is succession planning dilemma. Apart from the difficulty in identifying the right successor, the owner/s’ lack of knowledge and skills to prepare the business successor is another major setback (Decker et al., 2017). While issues

involving poor social capital structure in both family and organisational certainly brings negative impact towards business focus and development (Herrero & Hughes, 2019; Seaman, 2015).

Indeed, these are among the few examples of unique family-related issues and it is vital for family business SMEs to deal with and the lack of effective entrepreneurial training activities appeared to be a severe disadvantage for them (Burch, Batchelor, Burch, & Heller, 2015; Sandhu, Hussain, & Matlay, 2012). Sandhu et al. (2012) posited that family business SMEs in Indian agriculture sector urgently needed an institutionalised training and development program in promoting business survival while helping their business to grow. As such, entrepreneurial training for SMEs needs to be tailored specifically to address family-related issues and concerns in order to ensure family business SMEs' survival in the long run.

### **1.2.2 Family Business SMEs Succession Planning, Social Capital and Leadership**

Like other form of businesses, family business SMEs have to deal with both business functional and operational aspects (Ghee et al., 2015). This includes a careful consideration of succession planning and maintaining good interaction between internal and external stakeholders (Wang, 2016; Ghee et al., 2015). In addition, the owner's leadership attribute is also vital in ensuring business survival (Fontana & Musa, 2017). Indeed, family business SMEs anticipated the element of familiness and kinship among family members to influence the business directly, thus, requires unique practice and approach in management (Habbershon, Williams, & MacMillan, 2003).

Succession planning in family business SMEs involve the dynamics that lead up to the actual transition of the business to successor/s (Morris, Williams, & Nel, 1996). It is claimed as the most critical element in the business, yet a difficult one in family business (Decker et al., 2017; Molly, Leveren, & Deloof, 2010). Molly et al. (2010) posited that it is essential for family business SMEs owner/s to identify and nurture the right successor for business continuity. However, Decker et al. (2017) added that the task to prepare the successor with sufficient capability in continuing the business is difficult due to the lack of knowledge, skills and management from both owner and successor.

The issues relating to succession planning are contributed by both the owner and the successor (Liu et al., 2015; Chung & Yuen, 2003). Liu et al (2015) asserted that the owner has a tendency not to give the business or there is a delay in the process of succession planning management that affects the successor in terms of knowledge and skills capability. Chung and Yuen (2003) posited that while lack of interest in continuing the business among successor/s could jeopardise business succession, issues like lack in relevant field experience, training inadequacy also contributed to the failure of succession planning and leads towards business discontinuation (Ghee et al., 2015; Buang et al., 2013).

Maintaining a good value of interaction between family business SMEs and its stakeholders are important in moving the business forward (Wang, 2016; Zahra, 2010). The stakeholders are either internal such as family members and staff members or external stakeholders like customers, suppliers, the government, competitors and others. Thus, the value of interaction between the business and its stakeholders known

as social capital allows the business to exchange information and develop professional or social contacts. Indeed, it is essential for family business SMEs to determine business direction in the future (McKee et al., 2014; Zahra, 2010).

Social capital is also an issue for family business SMEs when members' interaction and involvement in the business exists (Wang, 2016; Eddleston & Kellermans, 2007). Conflict among members in decision making and business governance caused internal relationship problem, thus, leads towards unfavourable performance (McKee et al., 2014; Eddleston & Kellermans, 2007). While issues with external stakeholders, such as conflict in selling and buying decision with suppliers and customer dissatisfaction over product and services, refrain family business SMEs from gaining a competitive advantage (Alderson, 2015; Kontinen & Ojala, 2011).

Apart from business functional capabilities, leadership trait concerning entrepreneurial aspect of the business is an important measure to counter stiff competition in the market (Griffin, 2012). Griffin (2012) also added that the counter measure trait is important in realising progressive performance. Besides, an ability to recognise and exploit opportunities is an essential quality possessed by business leader which leads towards influencing business' members towards achieving goals (Renko, El Tarabishy, Carsrud, & Brannback, 2015). In addition, a combination of opportunity recognition, exploitation and risk-taking are crucial in securing family business SMEs competitiveness (Renko et al., 2015; Chen, 2007).

However, business leaders are still lacking these key attributes thereby limiting business growth and development in Malaysia (Zainol, Daud, Abubakar, Shaari &

Halim, 2018b; Arham, Boucher, & Muenjohn, 2013). Zainol et al. (2018b) claimed that failure in identifying a clear focus, less innovative and inability to manage risk properly leads towards unfavourable SMEs performance. While Arham et al. (2013) stressed that incompetent leadership and poor management skills have been the evidence of SMEs' failure.

### **1.2.3 Entrepreneurial Training (ET) by the Government**

The government has taken proactive action in spearheading the implementation of policies and strategies relating to SMEs, including the provision of entrepreneurial training (Ali et al., 2018; Hung et al., 2011). Entrepreneurial training is defined as a tool used by the government to elevate knowledge and skills among SMEs that stimulate performance (Kamarudin, 2019). Kamarudin (2019) added that the training is implemented through the development of new entrepreneurial programs, entrepreneur incubators and advisory supports to serve the agenda. It is also a reflection towards the need to provide SMEs with necessary skills and knowledge in almost every aspect of business (Ali et al., 2018; Yahya, Othman, & Shamsuri, 2012; Hung et al., 2011).

Previously, more than 12 ministries and 38 related agencies worked closely towards the development of entrepreneurship in Malaysia (Zahari Ismail & Zamberi Ahmad, 2013). Among them are the Malaysian Ministry of International Trade and Industry (MITI), Multimedia Development Corporation (MDeC), MED, the Malaysia External Trade Development Corporation (MATRADE), SME Corp. and many others (Ali et al., 2018). However, such arrangements has been restructured under the new National Entrepreneurship Framework (NEF) (MED, 2018). The restructuring is aimed to

address the agencies' overlapping roles and rationalise their functions besides aiming for cost effectiveness in roles distribution (Aznam Shah, 2018).

The Government Support Program (GSP) is a mechanism for SMEs' development and it is further strengthened at both the ministry and agency levels (MED, 2018; Shamsuddin et al., 2017). MITI, for instance, acts to develop and improve entrepreneurial skills among business owner/s as well as formulating and implementing policies on industrial development, international trade and investment ([www.miti.gov.my](http://www.miti.gov.my)). While MATRADE has numerous training courses including Exporters Training Program that aims to develop entrepreneurs' export marketing skills and enhance awareness on international market opportunities ([www.matrade.gov.my](http://www.matrade.gov.my)). In addition, the agency has 'e-TRADE' program to penetrate business abroad through e-commerce (Toh, 2018).

#### **1.2.4 Preliminary Study of the Government Entrepreneurial Training Practices**

Past studies reported that the entrepreneurial training conducted in Malaysia is rather generic which focuses on the traditional business areas like product, marketing, financial and management (Munoz et al., 2015). Besides, the training provided by the government also tend to align to specific characteristic of the industry for instance international trade, exporting and construction industry (Ali et al., 2018; Toh, 2018). There is a lack in emphasis on the family-related issues which is deemed critical to family businesses among SME and the training conducted were not distinguished between family and non-family SMEs. Therefore, a preliminary study was conducted to understand the type of entrepreneurial training conducted by the government agencies, specifically identifying the elements of family in the training.



Table 1.2: *Details of Interviews Conducted for Preliminary Study*

<b>Date</b>	<b>Agency</b>	<b>Designation</b>	<b>Venue</b>
Sep 5, 2017	FAMA	Economic Affairs Assistant Officer	FAMA Penang Office, Seberang Perai
Sep 7, 2017	FAMA	Economic Affairs Assistant Officer	Karnival IAT FAMA Zon Utara, Sungai Petani
Sep 8, 2017	JPW	State Deputy Director	Penang JPW Office, Georgetown
Sep 11, 2017	FAMA	Training and Consultation Service Officer	Perak FAMA Office, Gopeng
Sep 17, 2017	MARA	Entrepreneur Development Assistant Officer	MARA Perak Office, Ipoh
Sep 13, 2017	JPW	State Deputy Director	JPW Perak Office, Ipoh
Sep 15, 2017	MARA	Development Deputy Director	MARA Penang Office, Georgetown
Sep 18, 2017	JPW	State Deputy Director	Kedah JPW Office, Alor Setar
Sep 18, 2017	MARA	Entrepreneur Development Chief Assistant Director	MARA Kedah Office, Alor Setar

Source: *Researcher Preliminary Study*

The agencies selected for the preliminary study were those involved in the entrepreneurial training and development including SMEs. They are Majlis Amanah Rakyat (MARA), Federal Agriculture Marketing Association (FAMA) and Department of Women's Development (JPW). Table 1.2 describes the details of the nine interviews conducted. The study focused on the agencies' objectives, type of training and family business SMEs elements in the training conducted.

From the interviews, the entrepreneurial training conducted by the agencies were meant to serves specific objectives in line with the agencies' vision and mission. MARA for instance, is an agency tasked on the development of Bumiputra indigenous group to cultivate entrepreneurial culture among students from schools and higher

institutions, and also the public as potential entrepreneurs. Besides, MARA also facilitates and promotes existing entrepreneurs to a greater height. The training programs undertaken by MARA deals with these objectives:

“BASE is a business coaching program, where entrepreneurs are guided by an appointed business consultant for business recovery and development. For instance, food processing businesses aimed to improve their manufacturing standard, and assisted in obtaining various certifications such as Halal, MyIPO, MeSTI, ISO, GMP and others. Besides, entrepreneurs will be exposed with business concept, marketing strategy, production process, accounting system, Information Communication Technology (ICT) and product development.”

Kedah MARA Chief Assistant Director

“Our training objectives are to produce and develop Bumiputra entrepreneurs. Based on three programs namely *Pioneer* which is to educate potential entrepreneurs about business and entrepreneurship, *Progressive* as a development and improvement program of newly start up entrepreneurs (less than 3 years) and *Premier* which focuses on strengthening existing business further”.

Perak MARA Entrepreneur Development Assistant Officer

While, JPW, an agency under the Ministry of Women, Family & Community Development, focuses on women. Among the agency’s main function is empowering women to involve in entrepreneurial activities, enabling them to generate income and improve the quality of life ([www.jpw.gov.my](http://www.jpw.gov.my)). Programs like Development of Women Entrepreneurs Initiative (DeWI) and Laman Wanita (LaWa) which emphasised on entrepreneurial and skilled training are conducted to serve the organisational objectives:

“Unlike other entrepreneurial training-related agencies, JPW scope is narrowed down to the women from low-income family and single mothers.

For instance, *DeWI* is a program developed to help them to generate income and improve their living through various skilled courses like sewing, bakery and pastry, food paste course and others.”

Perak JPW Deputy Director

FAMA is an agency under the purview of the Ministry of Agriculture and Agro-based Industry (MOA). The agency’s responsibility is to develop and improve marketing for agro-food products marketing both local and abroad ([www.fama.gov.my](http://www.fama.gov.my)). Training programs are designed to address entrepreneurs’ marketing concerns:

“In FAMA, two types of training are conducted, firstly, training on fresh products including grading, product and labelling (GPL) and second, Industri Asas Tani (IAT) entrepreneurs including manufacturing and packaging of products.”

Penang FAMA Economic Affairs Assistant Officer

“Kedah is a producing state, thus training related to crops upscaling like post-harvest handling, grading, fruits quality for export standard purposes and so on. While for IAT entrepreneurs, courses like labelling, packaging, price setting cost-margin management (price setting) or so called financial management.”.

Kedah FAMA Economic Affairs Assistant Officer

Furthermore, the preliminary study also found out that the element of family is rarely discussed in the training conducted. However, a small part of the training conducted by the JPW highlighted on the stress management among the participants (women or single mother) which include the element of stress and family mangement. Nevertheless, this is not incorporated or blended-in into the entrepreneurial training courses conducted by the agency, rather it serves as an elective course for the participants’ well-being as part of the health program:

“Besides, the skill courses given to the participants, we are also conducting health management program such as stress management course to our participants. This course is conducted to help them in managing the family and going through their daily activities.”

Kedah JPW State Deputy Director

From the interviews, it is gauged that the entrepreneurial training and development programs conducted by the agencies are in line with both the visions and missions of the respective agencies. The types of training conducted were circling around the main roles and functions of the agencies for instance, FAMA focuses on the agricultural industry. Also, the participants or audiences of their programs are among specific targeted group such as bumiputra entrepreneurs, women and agriculture and food industry entrepreneurs in accomplishing the entrepreneurial agenda set up.

It is known that MARA is an agency which is responsible in cultivating entrepreneurial culture among bumiputra. The agency developed the training programs based on bumiputra entrepreneurial stages and focused on areas of product development, financial, marketing and management. FAMA stands to develop agri-food entrepreneurs with marketable products locally and abroad with the training focused on product labelling, grading, packaging and manufacturing for their respective audiences. As for JPW, their entrepreneurial activities aimed to improve women's quality of life and well-being through skilled training programs. This is similar with a claim made by Munoz et al. (2015) that the government's entrepreneurial training main focus was on business functional areas like product, marketing and management.

In addition, the study tried to investigate the existence of family-related elements covered in the training for instance family relationship, family conflict management and succession planning. However, it is unfortunate to note that none of the agencies were focusing on the family-related issues explicitly in conducting their entrepreneurial training and development programs. It is recorded that JPW provided course on stress management to their participants but that is not covered under their entrepreneurial activities. Instead, it is an elective course meant to facilitate women especially single mothers to manage their stress level while managing family and life. As for MARA and FAMA, none of them mentioned the words family in describing their entrepreneurial training programs.

Table 1.3 summarise the three agencies' entrepreneurial training practices from the interviews conducted. It entails the objectives, vision and mission of the agencies, the type of training conducted, target audiences as well as family-related elements covered in the training.

Table 1.3: *Summary of Entrepreneurial Training Practices by MARA, FAMA and JPW*

<b>Characteristic</b>	<b>MARA</b>	<b>FAMA</b>	<b>JPW</b>
<b>Objectives, Mission &amp; Vision</b>	Developing Bumiputra entrepreneurs through training, business advisory and strategic cooperation.	Being the leading agency in marketing food and agriculture products	Equipping women with skill and knowledge to venture into business and income generation
<b>Target Audiences</b>	Bumiputra Entrepreneurs	Agriculture and Agro-based Industry Entrepreneurs	Women
<b>Type of Training</b>	Entrepreneurial stages (Pioneer, Progressive, Premier, BASE)	Fresh Products & IAT trainings	Skilled Training (sewing, cooking, crafting, and others) & other trainings (stress management, health, and others)
<b>Family-related Element</b>	Unspecified	Unspecified	Not explicitly addressed and not related to SMEs (stress management training courses)

Source: *Researcher Preliminary Study*

### **1.3 Problem Statement**

Past reports claimed that family business SMEs are struggling to sustain in the long run. It is reported that family business SMEs have a low survival rate and more than two-thirds of family business SMEs closed down prior to the second generation takeover (Tang & Hussin, 2020; Ward, 2016a; Ghee et al., 2015; Poza, 2013; Ibrahim et al., 2003). Ward et al. (2016a) and Ibrahim et al. (2003) detailed out the low survival rate contributed by the overlapping between both family and business system in ownership and management. The failure is also attributed to the lack of entrepreneurial knowledge and skills (Tang & Hussin, 2020; Ghee et al., 2015), weak in business practices (Kader Ali & Perumal, 2016; Baron, 2014) and also leadership incompetence (Griffin, 2012; Alam Jani, Senik, & Domil, 2011) that affect the performance and sustainability of the family business.

This failure is despite the allocation and efforts put in by the government to spearhead SMEs development in the country (Zainol et al., 2018a; Hung et al., 2011). A total of RM15.7 billion have been allocated for the 10-year period covering 9<sup>th</sup> and 10<sup>th</sup> Malaysian Plan (MP). This includes the implementation of various entrepreneurial training programs by various ministries and agencies such as MITI, MATRADE, SME Corp, MARA and others (Zainol et al., 2018a). However, the sustainability of SMEs, specifically family business SMEs is still a major issue as there is no clear evidence on how the entrepreneurial training conducted by the government helps to facilitate the family-related issues within the business. This might leave family business SMEs vulnerable in terms of the performance and sustainability of the business with the lack of knowledge and skills managing the business (Ward, 2016a; Burch et al, 2015).

It is reported that factors associated with entrepreneurial training have significant effect towards the outcomes of the training (Raven & Le, 2015; Nikandrou et al., 2009). Current training design is neglecting family-related matters such as elements of family tradition, involvement and others (Burch et al., 2015; Tokarczyk, Hansen, Green, & Down, 2007). Instead, the emphasis is more on business functional areas like product, financial and marketing (Munoz et al., 2015). In addition, significant scarcity in training happens when the highlight is always on the trainee while allowing for the trainer's critical role to slip under the radar (Arghode & Wang, 2016; Chukwu, 2016). Trainers' lack of quality creates the wrong impression on trainees and affect training effectiveness realisation (Chukwu, 2016; Gibb, 1990). Ward (2016a) posited that trainers are lacking in understanding family business owner/s' issues and challenges, let alone a quest to solve their family business problems.

Trainees' learning absorption has often been scholars' subject of interest where its role in entrepreneurial training programs is critical (Hamid & Salim, 2012; Zahra, 2010). However, Hutchins (2009) asserted that trainees learning absorption is relatively low. Less than 40 per cent of learning is applicable while the remaining 60 per cent or more is considered "scrap learning" (Berk, 2008, p. 46), a term used for wasted knowledge and learning. Ward (2016a) stressed that as per the deliveries failed to address family business owner/s' concerns, the amount of knowledge absorbed are rather minimal. Collectively, Ladzani and Van Vuuren (2002) suggested that failure to look into training design, trainer and trainees' absorption are reflected in the detrimental training effectiveness and trainee's business performance.

Succession planning is considered as the most critical factor and yet a difficult one to carry out (Matias & Franco, 2018; Decker et al., 2017). A study conducted by Decker et al. (2017) posited that both the owners and successors have difficulties in the succession planning process due to lack of knowledge, skills and management. The difficulties were due to the owners' tendency not to give the business or delaying the process of succession planning thus, affecting the successors' capability in business (Liu et al., 2015). Also, it is asserted that the lack of interest in the business, lack in experience, training inadequacy among successors also contributed to the failure of succession planning and business discontinuation (Ghee et al., 2015; Buang et al., 2013).

In addition, family business SMEs' unique characteristics of family and business overlapping interaction could be an unfavourable scenario (Ibrahim et al, 2003). Both family and organisational social capital could cause problems to the family business (Sreih et al., 2019; Kader Ali & Perumal, 2016; Alderson, 2015; Kontinen & Ojala, 2011). Conflicts in decision making and governance among members in the family could stir the internal relationship and affecting the performance eventually (Sreih et al., 2019). Issues such as dispute in buying and selling negotiation with suppliers, product and services dissatisfaction among customers are among the challenges which refrain family business SMEs to gain a competitive advantage in the market (Alderson, 2015; Kontinen & Ojala, 2011).

Lastly, the leadership trait that specifies their entrepreneurial capabilities has a direct linkage with the businesses' measure to counter the failure of the business caused by competition (Fontana & Musa, 2017). Family business SMEs are vulnerable for failure



as the owners are lacking entrepreneurial characteristics such as risk-taking, pro-activeness, opportunity recognition and exploitation (Renko et al., 2015; Chen, 2007) which could be detrimental to their long term business survival (Kader Ali & Perumal, 2016; Alam et al., 2011). The lack in opportunity recognition and exploitation attributes also could be exemplified through the poor utilisation of the GSP implementation among SMEs, including family business SMEs in Malaysia (Shamsuddin et al., 2017; Hung et al., 2011). It is posited that the owners are unaware of the availability of the support and assistance in the form of financial facilities, training and development programs provided by the government.

Therefore, it is crucial for this study to examine the role of the factors of entrepreneurial training conducted by the government in realising favourable performance in family business. Also, the significance of succession planning, social capital and entrepreneurial leadership are further studied as part of the strategic element in the family business to see its significance towards the business.

#### **1.4 Research Objectives**

The objectives of the study are as follows:

1. To examine the effect of entrepreneurial training factors (family-orientation training design, family-centric trainer attributes and family-centric trainee absorption) on family business SMEs performance
2. To examine the effect of family-orientation training design on succession planning and social capital
3. To examine the effect of family-centric trainer attributes on succession planning and social capital

4. To examine the effect of family-centric trainee absorption on succession planning and social capital
5. To examine the mediation effect of succession planning in the relationship between entrepreneurial training factors (family-orientation training design, family-centric trainer attributes and family-centric trainee absorption) and family business SMEs performance
6. To examine the mediation effect of social capital in the relationship between entrepreneurial training factors (family-orientation training design, family-centric trainer attributes and family-centric trainee absorption) and family business SMEs performance
7. To examine the moderation effect of entrepreneurial leadership in the relationship between social capital and family business SMEs performance

### **1.5 Research Questions**

Research questions in line with the research objectives are as follows:

1. Do entrepreneurial training factors (family-orientation training design, family-centric trainer attributes and family-centric trainee absorption) influence family business SMEs performance?
2. Does family-orientation training design influence succession planning and social capital?
3. Does family-centric trainer attributes influence succession planning and social capital?
4. Does family-centric trainee absorption influence succession planning and social capital?

5. Does succession planning mediate the relationship between entrepreneurial training factors (family-orientation training design, family-centric trainer attributes and family-centric trainee absorption) and family business SMEs performance?
6. Does social capital mediate the relationship between entrepreneurial training factors (family-orientation training design, family-centric trainer attributes and family-centric trainee absorption) and family business SMEs performance?
7. Does entrepreneurial leadership moderate the relationship between social capital and family business SMEs performance?

## **1.6 Research Gap**

From the past literature, there are numerous studies discussing the significance of entrepreneurial training on the performance of the business, specifically among family business SMEs (Knezovic & Greda, 2020, Steinerowska-Streb & Wziątek-Stasko, 2019; Perlins & Araque, 2015; Sandhu et al., 2012; Peters and Buhalis, 2004; Ladzani & Van Vuuren, 2002).

A study conducted by Knezovic and Greda (2020) posited that entrepreneurial training is essential as part of the career development programs for family businesses. In fact, it is the key to develop good perspectives among members in the family towards the business and subsequently, reflect on the performance positively. Also, it is claimed that businesses are more likely to benefit from owners who continuously expand their knowledge (Steinerowska-Streb & Wziątek-Stasko, 2019). From there, the knowledge is translated into more product and marketing innovations to be implemented which resulted in improvement in performance. Nevertheless, these studies focused on both functional

and conventional business training, while there is scarcity in highlighting the soft skills among family business within the government's entrepreneurial training.

From the theoretical perspective, most of family business studies discussed the absorptive capacity theory in relation to technical, innovation, and research and development (R&D) aspects of the business (Brinkerink, 2018; Chaudhary & Batra, 2018; Xie, Zou, & Qi, 2018; Adnan et al., 2017; Mokhber et al., 2017). For instance, a study by Chaudhary and Batra (2018) stressed on the absorptive capacity of family businesses on the likelihood of new technological opportunities. While Adnan et al. (2017) posited that better execution in technological adoption can be done through greater business' ability in absorbing and utilising the knowledge gained which is subsequently reflected in performance. However, there is a scarcity in discussing the theory in relation to succession planning practice and both family and social capital of family business in the literature.

Family business literature discussed mainly the issue of succession planning which is deemed as a critical element in the family business and its significance is mostly observed on the business performance (Tang & Hussin, 2020; Buame, Buckman, & Jones, 2019; Kiwia, Bengesi, & Ndyetabula, 2019; Maciel, de la Garza Ramos, Aguilar, & Reyna, 2015). Tang and Hussin (2020) highlighted the importance of the owners' motive and goals, family context and the business nature in considering the successor with the right mentality in realising the continuity of the business. It is also asserted that the presence of succession planning and its concrete mechanisms ensure higher profitability for the business (Kiwia et al., 2019). However, there is scarce discussion on the role of succession planning in transforming and exploiting the knowledge

gained from entrepreneurial training and how it affects the performance of the family business.

Social capital is another topic which is famously associated with family business studies and most of them discussed social capital and its' effect on the performance of the family business (Hanson, Hessel, & Danes, 2019; Herrero & Hughes, 2019; Estrada-Robles, Williams, & Vorley, 2018; Mani & Lakhal, 2015). Herrero and Hughes (2019) posited that family social capital, specifically trust and commitment (relational dimension), are significant in influencing favourable performance of the family business. According to Estrada-Robles et al. (2018), social capital allows family businesses to reach for a wider access of resources and help the business to operate in a challenging business environment. Nonetheless, there is scarcity in examining the role of family and organisational social capital in the relationship between knowledge and its acquisition from training and the performance among family businesses.

Also, most studies on leadership discusses the direct effect of entrepreneurial leadership on the succession planning and also the performance of family business (Chakrabarti, & Mondal, 2018; Harrison, Burnard, & Paul, 2018; Woodfield & Husted, 2017; Kansikas, Laakkonen, Sarpo, & Kontinen, 2012). Woodfield and Husted (2017) asserted that the combination of good leadership attributes, entrepreneurial characteristics and knowledge sharing holds the key to unlock successful succession planning for family business. It is highlighted that entrepreneurial leadership possess by the family business owners serves as an important resource in surging towards positive performance (Kansikas et al., 2012). However, there is limited attempt in examining the role of entrepreneurial leadership