

CRITICAL FACTORS ON KNOWLEDGE TRANSFER AND FAMILY BUSINESS PERFORMANCE

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Abstract

Small Medium Enterprises (SMEs) that comprise 645,136 establishments contributed about 32 percent to GDP for Malaysia in 2016. Sole proprietors, also categories as family business, ratio at 71% of total SME in Malaysia. However, approximately 50 percent SMEs closed within 5 years of establishments due to lack of financial resources, poor marketing implementation, operational inefficiencies as well as poor cash flow management. Various training programs for businesses failed to set any mechanisms in evaluating progress of the training participants as they lack in business performance indicators. Besides, it allows critical roles of trainers slips under the radar as well as trainee's learning absorption are rather low, which is at 40 percent resulted from lack of knowledge transfer. These issue indicate that knowledge transfers weakness which impacting business performance subsequently. Thus, study aims to examine the relationship between knowledge transfer factors and family business performance. Explanatory research is exploited using mixed mode approach where family business SMEs is set to be the unit of analysis. The study using Smart-PLS for regression and SPSS to correlate the studied factors. The impact of the results is expected to show critical variables relevant to knowledge transfer process that has an impact on family business performance.

Keywords: Family Business, Knowledge Transfer, Learning Avenue, Trainer Attributes, Learning Absorption

INTRODUCTION

Family business has attracted increasing attention from academic scholars over the last few decades since 1960s. Shepherd and Zacharakis (2000) claimed that family business possesses a significant role in influencing the world's economic development. In Malaysia, there is number of studies for instance Buang, Ganefri and Sidek (2013); Ghee, Ibrahim and Abdul-Halim (2015) quoted as saying that majority of family businesses are among SME businesses. The findings are parallel with report issued by Department of Statistic Malaysia (DOSM, 2012), where SME in Malaysia are dominating total number of establishments.

DOSM (2012) report suggested that majority of them are sole proprietors followed other form of ownerships. The report indicates that sole proprietors recorded 71 percent of the ownership, followed by partnership (8.5 percent), private limited companies (16.4 percent) and others (2.1 percent) respectively. Despite of all importance, the survival rate of family business is low (Ibrahim et al., 2003) which estimated only 13 percent last through the third generation, while less than two-third survive to the second generation (Blotnick, 1984). Therefore, scholars believed that it is necessary to concentrate their efforts in studying and improving this phenomenon.

Indeed, there are many factors influencing the success or failure of a business to survive and remain competitive (Satar and John, 2016; Tan et al., 2014). From organisational perspective, factors such as industry culture and competition, entrepreneurial decisions or leadership, employee relations, entrepreneurial objectives, organisational culture, education, training and prior experience and various sub-categories within these areas (Simpson, 2004) could prove vital in deciding where the business future lies. From his works, we could extract the element of knowledge transfers, specifically take place in this study were highlighted.

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Knowledge acts as an intangible asset for businesses is regarded as an important tool for competition (Joia, 2007; Nonaka and Takeuchi, 1997). On the other hand, the effectiveness of knowledge; known as knowledge transfer in this study gained from any form of learning avenues, for instance education and training platform deems even more substantial (Argote et al., 2000) in order to see successful improvement in the knowledge management outcomes.

PROBLEM STATEMENT

Despite the importance of knowledge in organizational strategic management (Martinkenaite, 2012), it is unfortunate to recognise that knowledge transfer value is undermined and not being appreciated at the optimum level. A study by Yusof, Ismail, Ahmad & Yusof (2012) claimed that organisations in Malaysia are not committed in applying knowledge transfer in any form of avenues. Hamid and Salim (2011) and Wei et al. (2009) supported that the necessity of organisational learning in the context of creating knowledge is not being addressed deliberately. This is reportedly due to lack of understanding and focus over it as well as its significance to the outcome which eventually led toward failure in knowledge transfer.

Studies have discovered some flaws in learning avenues, focuses on education and training avenues generally around the globe. For instance, Pazzynski (2016) posits that students are not doing well on their test and examination in general. Training on the other hand, may look good in numbers as most studies in training research are focused on the likelihood or amount of training, training transfer advocated by Kauffeld and Lehmann-Willenbrock (2010) that needs to put more efforts on.

Significant scarcity in training effectiveness happens when highlight is always on the trainee instead of the trainer (Chukwu, 2016), and frequently allows the critical role of trainers to slip under the radar (Arghode and Wang, 2016). The authors highlighted that trainer's failure to engage and motivate trainees could hinder any meaningful learning to materialize. Moreover, trainer disposition presenting in conviction and enthusiasm moved trainees with longer effects as such disposition creates lasting impression compared to a well-designed training program with dull presentation (Chukwu, 2016)

While learning absorption is a concern where Hutchins (2009) posited that organisations reported that trainees learning absorption is rather low, with less than 40 percent of their knowledge and skills from training experiences. The remaining 60 over percent is considered "scrap learning" (Berk, 2008, p. 46), a term used for knowledge and learning wasted. The deficiency happens are very much related to trainee readiness where Payne et al., (2008) described as trainee's willingness to retain the knowledge and skills gained as well as motivated to retrieve and apply those learning.

RESEARCH OBJECTIVES

This study is constructing research objectives based on research questions. The main constructs to be achieved at the end of the study are as follows;

1. To examine the relationship between knowledge transfer factors and family business performance?
2. To examine the relationship between learning avenue and family business performance?
3. To examine the relationship between trainer attributes and family business performance?
4. To examine the relationship between learning absorption and family business performance?

LITERATURE REVIEW

Family Business

An overview of family business literature can be observed since 1960's as it plays substantial role in developing countries. Lussier and Sonfield (2010) stated that family businesses contribute to as high as 60 percent of the total national Gross Domestic Product (GDP) and 50 – 60 percent of employment (American Management Services, 2011; Morris et al., 1997). This is a clear statement of why family business is a dominant and instrumental element in a country's economies.

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The definition of family business has been largely discussed by scholars in the past where their contextual approach happens to be the difference among all. Donnelley (1964) tried to include as many elements as possible to describe family business but has been criticised by many scholars as per claimed that, the definition is too broad and burdensome in understanding the nature of family business (Zachary, 2011).

For this study, it is rather sensible to emphasize on the element of ownership or control within the business. The definition is adopted from Chua et al. (1999) works as well as replicating Ghee et al., (2015) and Barontini and Caprio, (2005) definitions whereby 51 percent of ownership possess by members of the same family or a small number of families. However, elements of family succession and dynamism still very much in discussion as part of business practices in this study.

Business Performance

Business performance always used in measuring businesses' success. Highlighted by Kalleberg and Leicht (1991), it is a yardstick to differentiate between success and failure of a venture. In identifying performance measures for businesses, Haber and Reichel (2005) posited that there are two theoretical approaches in measuring business performance which are the goal and system resources approach. The goal approach measures progress of business goal attainment progress while the system resources approach reflects the ability of businesses to obtain relevant resources to maintain the organisational system (Yuchtman and Seashore, 1967 cited in Haber and Reichel, 2005). However, the authors reiterated that among all the approaches introduced, the goal approach is the common goal that being used within businesses as the output is readily measured.

As such this study is exploited the same approach as it is rather practical and relevant in term of the unit of analysis and size of business. Pfeffer and Salancik (2003) indicates that the goal approach is reflecting owners/managers point of view in accessing business performance. Haber and Reichel (2005) stated that it is the most relevant approach to be used for small ventures due to the fact that the dominant role of entrepreneur, especially the like of self-employed entrepreneurs and family-owned businesses in determining the key performance index for the business.

Knowledge Transfer

Knowledge transfer involves an activity of identifying and acquiring potential useful knowledge reflected through changes in the knowledge or performance of the recipient (Blumenberg, Wagner, & Beimborn 2009; Argote, 2000). Past literatures have recognised knowledge transfer as a critical driver of business and organisational performance (Adams and Comber, 2013). Thus, this study acts as a gesture to counter Burke et al., (2011) claims that studies on knowledge transfer among Malaysian organisations are rather limited.

Studies on determinant factors in knowledge transfer effectiveness were brought forward which includes the dispositions among trainers (Arghode and Wang, 2016; Chukwu, 2016) and trainees (Li, Diao and Xiang, 2009; Zahra and George, 2002) involved as one of the main determinant factors underlying. While learning avenues such as education and training are mainly discussed in the context of entrepreneurship education in higher education institutions (HEIs) (Nasrudin and Othman, 2012) and SME-related training (Hung et al., 2011).

From here, past literatures suggested that there is a paucity in highlighting three important factors within knowledge transfer together. Education and training avenues were discussed on their own restricted perimeter where exam results (Gawthrop, 2014) and trainees' feedback on the training program design (Horowitz, 1989 cited in Lingham, Richley, & Rezania, 2006) largely counted for the effectiveness. While Chukwu (2016) and Arghode and Wang, (2016) studies highlighted the separation of studies over the importance of trainees and trainer attributes towards learning effectiveness. Besides, as suggested by Hamid and Salim (2012), it is noteworthy to recognise that trainees learning absorption is a critical point to ponder about by respective training providers where trainees' level of absorption is prompted.

A PROPOSED FRAMEWORK

Figure 2.1 above shows the relationship between variables where family business performance acts as dependent variable, while knowledge transfer factors in the like of learning avenue, trainer attributes and learning absorption act as independent variables.

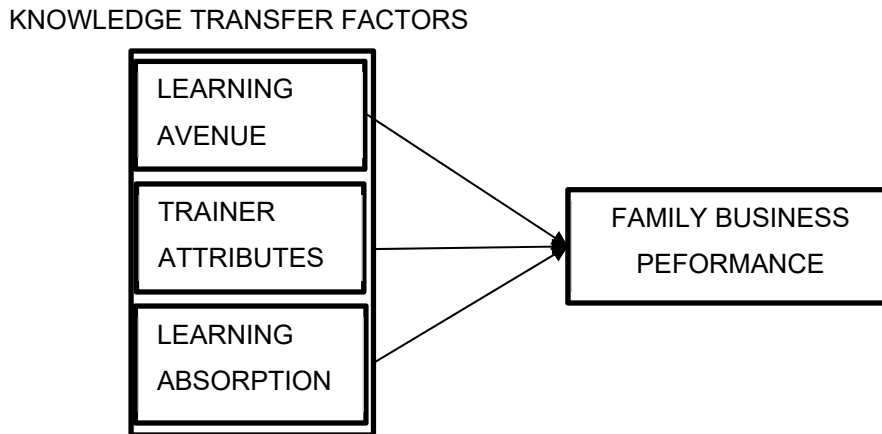


Figure 2.1: Proposed Conceptual Framework

PROPOSED METHODOLOGY

Sampling Design – Mixed Method Approach

At the study commencement, it is essential to determine the type of research design set to be used (Zikmund et al., 2010). The authors stressed that it is the first decision and works as master plan that indicates method and procedure in collecting and analysing required information. Therefore, the chosen approach for this study is mixed method which involves collecting and analysing both forms of data in a single study (Creswell, 2013).

Quantitative approach used as main approach while qualitative acts as a complementary method to justify small part of findings, in term of business sales and profitability gathered from former approach. Using both quantitative and qualitative methods in this study is parallel with suggestion by Creswell and Clark (2007), using either quantitative or qualitative only for a study is not enough. Combining both methods allows researcher to have clearer picture in order to understand the issue which would like to be addressed.

Research Procedure – Explanatory Sequential Design

Explanatory sequential within the mixed method approach illustrated by Creswell (2013), means that researcher tries to elaborate the findings of one method with another method. The strategy involves two phases, starts with quantitative method as the main approach at first phase, followed by qualitative method in second phase.

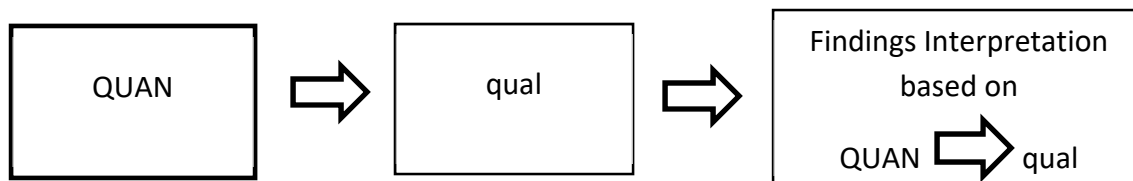


Figure 3.1: Sequential Explanatory Mixed Methods
 Source: Creswell (2013)

Multi-Stage Cluster Sampling

Categorised under probability sampling, multi-stage cluster sampling technique described by Saunders, Lewis and Thornhill (2009) as a development of cluster sampling where often used to address problems associated with a geographical disperse population and imminent face-to-face contact. In this study, as the population among SMEs in Malaysia are scattered, geographical frame is rather practical. This is in line with Saunders et al. (2009) suggestion that at early stage, geographical frame is essential under this sampling technique.

Second stage involves standardised strata sampling which consistent with Othman and Nasrudin's (2016) study, this sampling is based on the total GDP contribution and where state with highest GDP contribution is chosen to represent each geographical cluster. While at the final stage, simple random sampling will be used to complete the circle. Researcher will use this database to conduct simple random sampling in getting the targeted respondent at the four designated states in collecting data before proceed with data analysis and findings later on.

DATA ANALYSIS

Correlation Analysis

It is conducted in order to see the extent of strength or degree of relationship between variables studied. Davis (1997) suggested that the correlation result could testify the degree of relationship. Richardson et al. (2005) claimed that in constructing a model, it would be recommended that both dependent and independent variables are highly correlated among each other. For this purpose, the Pearson's correlation coefficient (r-value) is employed in deriving the scale and extent of the relationships tested.

Multiple Regression Analysis

When there are more than one independent variables involve, the analysis is termed as multiple regression. Saunders et al. (2009) elucidated multiple regression as an analysis to access the strength of relationship between dependent variable and two or more independent variables in a study. While Hair et al. (1998) used it beyond the decision to access the relation between variables but also the strength, degree and direction of the relationships.

CONCLUSION AND DISCUSSION

This conceptual study potentially draws some which from family businesses perspective, knowledge and skills gained from any learning avenues attended, observed trainer attributes realized and learning absorption materialized, can lead towards greater business performance. As for the training provider, identifying the right avenues for family business SMEs particularly in delivering knowledge and skills aside from equipping trainers with necessary skills could be realized. Revision over their practices and vision through implementing an impactful education and training program can be drawn significantly. This will eventually lead towards achieving ultimate aims of the training program.

Furthermore, this study aims to underwrite positive impact towards the country. With better realization of knowledge transfer factors where learning avenues provide impactful training to businesses, trainers possess required skills and competencies as well as greater learning absorption among trainees, would benefits the business performance. Eventually, it helps in contributing towards Malaysian GDP and directly increase the contribution family businesses and SMEs as a whole.

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