

## The Changing and Development of Malaysian Chinese Family Business Management Model in a New Era -- A Case Study on Ann Joo Resources Berhad

Ma Yue, Yam Kah Kean

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**Abstract:** The economic miracles that created by the Chinese family business are widely concerned by the academic circle. This article narrates the characteristics of the management styles applied by the Chinese families business in Malaysia and highlights the progressive transformations in a new era. The management models adopted by the Malaysian Chinese business are known as unification of ownership and management rights, patriarchal leadership style, hierarchical and sequential management, intergenerational succession and a harmonious management model. With the economic development, the continuous improvement of technology of a new era, there are some changes too undergone by the Chinese family business. This article analyzes a specific case study—Annjoo Resource Berhad to verify the conclusion. Malaysian Chinese family business is revitalized and shine forth with a new radiance with its legacy and development.

**Keywords:** Family business, management model, development, transformation

**Authors:** Mayue, candidate of PhD Degree from Department of Chinese Studies, Faculty of Arts and Social Sciences, University of Malaya. Yam Kah Kean (Dr.), lecturer of Department of Chinese Studies, Faculty of Arts and Social Sciences, University of Malaya

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Due to the social, cultural and historical influences, most of the businesses owned by the Malaysian Chinese are family businesses. Furthermore, the political system and legal system of Malaysia are distinct from its western counterparts. Hence, Chinese enterprises, especially of those small and medium scales, hold their own competitive edge based on their family management styles and these current models should continue to exist in a long foreseeable future. Nevertheless, Chinese family business management model is currently being subtly transformed as a result of the social change, globalization and rapid development of the science and technology in a new era. New era here is referred to the 1980s to present in this article. And this article is

limited to the discussion of the trend of changing and development of management model in Malaysian Chinese family business from the 1980s until to present.

### **An Introduction to the Management Model Applied by Malaysian Chinese Family Business**

Throughout the history of Malaysia, Malaysian Chinese family business has been making a tremendous contribution to the rapid growth of the national economy by good performance. This article builds its foundation upon a collection of certain precedent and referential studies of Chinese businesses. With an incorporation of my own personal research and study, I have thus deduced with a conclusion that the primary management styles adopted by Malaysian Chinese businesses are generally known as unification of ownership and management rights, patriarchal leadership style, hierarchical and sequential management, intergenerational succession and a harmonious management model.

#### **Unification of Ownership and Management Rights**

As part of the major business organizational structures, Malaysian family business is featured by a combination of its management and ownership, with the family members holding their rights to exercise their authorities in running their business at the initiate stage of its business development. It has thus displayed a prominent and typical characteristic with its 'owner-managed' style. All the elementary capitals required by the entrepreneurs are collected among the family members. Therefore the ownership of the business belongs to the entire family. The family members or other authorized senior staffs will involve actively and extensively in the production, operation and management of the business. the Kuok Group under the leadership of Mr. Robert Kuok has his elder brothers Philip Kuok Hock Khee (鹤举) and Kuok Hock Yao (鹤尧), and his few nephews working in the Group, and they are playing some key roles and taking great responsibilities in various departments of the Group.

#### **Patriarchal Leadership Styles**

In a management structure within a Malaysian Chinese family holding company, a patriarch is the highest authority figure in its paternal system. A patriarch assumes both his controls over his clan members and the business decisions, and he will usually exercise centralized authority with minimum delegation. He functions as the head in a hierarchical structure where the positions of his family members are classified in levels which are equivalent to their seniority and ranking in their own family. For small and medium sized Chinese businesses, the patriarch will always be at the top level of the company's management. Even those large Chinese corporations are under

the leadership control of a patriarchal management structure. The rights for decision-making in many of the larger Chinese-controlled groups are still largely preserved by the founding patriarch. For example, the head of MUI Group, Khoo Kay Peng, is reputed in making most of the Group's decisions and there is no senior executives who could take over his role. Hong Leong (M) Group is reputed to have a good base of managers but major decisions are still reserved for its controlling family. This pattern is common among Malaysian Chinese businesses as with Chinese firms elsewhere (Backman, 1995, p.55).

### Hierarchical and Sequential Management

Chinese emphasizes on natural affinity and they place great value on their relationship with others, inclusive of relationship built through biological, marital, geographical and vocational ties. Every relationship constructs a particular social connection for them. In another word, there is a greater sense of trust and commitment present when they relate with someone who are closer to them, and there is also an ethical obligation to be fulfilled by both parties. Therefore, in their own perspective and understanding, those who are closer to them are considered to be more reliable and trustworthy. Due to some special political and economic factors existed in South East Asia, Chinese immigrants have indeed inherited and heightened the concept of "Hierarchical and sequential management" as part of their traditional culture. Below is a table 1 demonstrating between the level of intimacy and distance discovered in the social relationship among the oversea Chinese.

**Table 1 Categories of Chinese Social Relationship**

	<b>Social relationship categories</b>	<b>Levels</b>
A. Insiders	1. Core family members	1
	2. Distant relatives from extended families	2
	3. Clan members	3
	4. Countrymen	4
	5. People groups who speak the same dialect	5
	6. People groups who speak other dialects	6
B. Outsiders	7. Non-Chinese	7

Source: Quoted from Wang, 1998, p. 21.

Hierarchical and sequential management is a traditional Chinese culture reflected in the management system of a Chinese family business. The system established in a Malaysian Chinese family business is similar to an ethical relationship structure of a natural Chinese family, where there is a clear distinction between the seniors and the

juniors. Both parties have to build their personal connections in order to maintain their ethical relationship. Thus they have formed a hierarchical and sequential management in their business organization based on the intimate levels of their relationship. The result is an insider community where the organizational leaders are the cores of that community, making clear a hierarchical structure appeared in the business.

Malaysian business owners function like other business owners from Southeast Asia, who divide and classify their subordinates into groups of 'insiders' and 'outsiders'. According to a study conducted by Cheng Bo-Hsun ( 郑伯壘 ), there are usually three criteria or references used by the business owners when they divide peoples into categories of insiders and outsiders. These criteria are based on the intimacy levels of their relationship, the staffs' competency to accomplish their assigned tasks and their loyalty towards their employers. (Cheng, 1991, pp. 378-379)

### **Intergenerational Succession**

Succession of a family business is indeed a transfer of the family wealth cross-generationally. It is also considered as a process of transmitting family rights. For those family businesses possessed with great and lasting inheritance, passing from one generation to another generation keeps the rights of ownership and management of the family business intact and united. Generational passing on of its inheritance is the key of a business to be survived in the long run. Yet the issue of succession is the most difficult to be solved problem found in the development of a family business. The most common crisis appears when there is a sudden death or retirement of the business founder. It often signifies an end to a business (Astrachan. & Kolenko, 1994, pp. 251-262; File & Prince, 1996, pp. 171-184) Most of the Malaysian Chinese family businesses have successfully passed on their batons to their second or third generations. But after the third generation, there usually appears a major change internally. A family business will encounter a check and balance between its business growth and the control of the family over its business in the process of development. Succession through generational passing on of its ownership and management is a weak tool in solving the said problems.

### **Harmonious Management Model**

As Chinese descendants, majority of the Chinese businessmen are influenced greatly by their culture in the way they manage their businesses. They emphasize and prioritize 'harmony' in their interpersonal relationship. They promote spirit of harmony and collective dedication of a family within their business settings, and they labor in creating a 'family' atmosphere to unite their members together to form a united body sharing a common destiny in order to fight against their competitors. They possess

good friendship circles and people network outside their businesses, and they combine their efforts with other oversea Chinese businessmen through a biological, geographical or vocational ties, constructing an extremely harmonious and competitive network among all the oversea Chinese businessmen, seeking for a mutual progress. As migrated members, they are able to live well and relate in harmony with the local people and to seek for their communal development. At the same time, due to the influence of the traditional Chinese culture, they are clearly aware of the impact of politics upon business development. Therefore, they maintain a good relationship with the local government through their involvement in politics, combining with the national capital and participating actively in some charity activities etc.

### **Building of a Harmonious Relationship Internal Business**

Majority of the management teams in Malaysian Chinese family businesses emphasize in creating a family atmosphere for peace and harmony interpersonal relationship. Management teams are benevolent towards their workers. They not only treat the workers kindly, but also frequently involve personally in their midst, communicating with them directly and sincerely, trying to understand their difficulties and sufferings, hearing their voices and honoring their opinions. These allow them to be proactive in creating a better physical environment for their workers with the development of their businesses. At the same time, they provide certain morality boosters as well. With such double management, the workers closely knit themselves with their companies and form a steady 'benefit coalition'. Only when there is an inward harmony, there is outward expansion. When a company can be 'inward unity', with good and harmonious relationship between bosses and workers, and with unity existed as a whole, shall create a strong sense of cohesiveness. Thus the company will possess a good foundation for its 'outward expansion', and form a harmonized internal body with strong outward competitive capacity.

### **Government –business Relationship**

Chinese business groups are closely connected with the government. Some of them even combine their businesses with the national capital. From the perspective of a hierarchical analysis, bourgeoisie is the governing class of a capitalism nation. Various capitalists and business groups form the social and economic foundations of the local government throughout the ages. Being the political representative for a big bourgeoisie, the government needs to receive the support from some of the financial groups. Being the economic and social foundation of the government, those financial groups in return need the aids of the government. Especially in multi-races Malaysia, Chinese are restricted in their economic development due to legislative

economic policies. Thus it is important for them to maintain a close connection with the politicians or governmental bodies in order to receive their protection and various privileges. (Yun & Chen, 2000, p. 116) Chinese usually go into joint ventures with the government or its representatives in order to receive some resources and to access some economic interests. A good partnership or co-operation between the political and economical bodies have been well illustrated and proven in a book called 'Chinese Business in Malaysia', written by a well-known author Gomez, (1999), who is one of the professors in University of Malaya. The development in some of these big groups of companies in Malaysia has proven vividly that the relationship between politics and economic yields huge profits for both parties, such as the monopolized casino business ran by the Genting Group, and the YTL Corporation by contracting huge sized national projects etc.

### **Reliance on a Network Relationship**

A tenacious commercial network is one of the major characteristics of Malaysian Chinese business. It is believed that the potential benefits derived from these networks include a better provided information, an added credibility and an exchange relationship (Cooper, 2002, pp. 203-222). Networking also allows entrepreneurs to access to various resources and opportunities that contribute to their business growth (Reese and Aldrich, 1995, pp. 124-144). A Chinese businessmen network possesses great effects upon the capital accumulation, the communication flow of the market news, and the sales of the commercial products. The success of the Malaysian businessmen is closely related to the construction of a commercial network. Redding (1991), a sociologist who has gone through a long term observation for family businesses ran by Taiwanese, Hong Kong people and oversea Chinese, discovered that Chinese family businesses are generally small in scale, however there is a stability and high efficiency in their networking relationship. Therefore he makes an important conclusion summarizing that the organizational behaviors of Chinese family business are commonly featured as "weak in its organization but strong in its linkage." Wong Siu-lun (2001) understands that Chinese family business expresses a remarkable adaptability, vitality and competitive capacity, and all these are highly related to a certain degree of freedom and a horizontal organization structure, which are based on the foundation of 'honesty and trust' (Wong, 2001, p.73).

### **New Era – A Changing Business Landscape**

The rapid process of globalization in the world economy and the advancement of information technology have caused the societies and economies around the world

to become more integrated, and nations are more interdependent and interconnected among one another. In this era of globalization with advancement in information technology, the business landscape in which the Chinese businesses are operating is experiencing a profound change. The national policy and the legal framework of Malaysia exert its most significant influence on the way the Chinese operate their businesses in Malaysia. Since the day of independence, the Malaysian government has implemented a number of economic policies, these policies have somehow undermined the capabilities of the Chinese in running their businesses in Malaysia. At present, the Malaysian government has enhanced its economic policies and at the same time its legal framework in Malaysia has become well-developed. Chinese businessmen nowadays are free to do their businesses by courtesy of a flexible business framework and a sound economic policy. In addition, due to the strengthening of the regional economic integration and the establishment of the ASEAN Free Trade Area (AFTA) and the Asia-Pacific Economic Cooperation (APEC), the business horizons of Malaysian Chinese have been expanded. In particular, the recent rapid economic growth in China and the natural bond between China and Malaysian Chinese have paved a channel for Malaysian Chinese entrepreneurs to do business in China.

In this informative economic age, the rapid acceleration of technological innovations and new products has posted a formidable challenge to Chinese entrepreneurs who have succeeded through running conventional business. To survive and to thrive, the traditional Chinese entrepreneurs have to out-innovate, out-educate and out-build the rest of the world. Massive investment is needed for technological advancement, especially in the areas of research and development and talent pool, in order for them to compete globally. In order to keep up with the technological and economic advancement, Chinese businessmen have to change their mindsets and business models, hone their entrepreneurial skills and focus on attracting experts and talents development. Evolutions of the Governmental policies and social culture as well as economic and technological development have profoundly changed the landscape of Chinese businesses. Chinese businesses are facing new challenges and opportunities under this rapid economic change. If they could keep pace with the economic development of the world and leverage their business core competences, then the world will be Chinese businesses' oyster.

### **A Transformation and Development of the Malaysian Family Business Management Model**

Because of the progress and development found in the current era, Chinese family business has been and will be continuously adapted to the changes and challenges of the environment by implementing an ongoing process of reformations and adjustments.

In this long process of evolution, they are not mechanically imitating the management theories of those developed countries, but will be continue to organically integrate their traditional management models with those modernized management theories. This creative combination has actually caused them to enter into a new reformed way of business management.

Malaysian Chinese family business maintains a paternalistic and centralized management and uses family members as the backbone of their management. Therefore, they emphasize the importance of an interpersonal relationship and a business network. At the same time, those younger generations that have been influenced by the Western styles of management theories are taking over the businesses, and they are paying more attention on the important roles exerted by the professional and managerial experts. They will be more conscious in engaging a reformation of the operation and management aspects, by using more outsiders comparing to their elder generations. On the issue of the separation the rights of ownership and management, what they have adopted is a method called “two legs walking”<sup>1</sup>. Parents send their children to the developed Western countries to further their study, and the children will return to serve in their own family businesses once they have completed their studies. This will not only keep the family businesses to be fully owned and operated, but also bring in a modernized management style and idea. On the other hand, there is an increasing number for large business groups which employ professionals or expertise that are not associated to their families and they are appointed with heavy responsibilities and to be put in charge of the administrative positions. The true meaning of the separation the rights of ownership and management in a Chinese family business is still far away from the ideal. Even some of the knowledge-intensive businesses, e.g. HELP University and Nilai College have also demonstrated vividly the models of unification the ownership and management rights. Since Chinese are lack of social trust and the costs of engaging agencies are extremely high, the path that leads to a professional management is full of thorny challenges.

In addition, transmission of power through succession by its subsequent generations is how the Chinese family business preserved its existence; an inheritance passed on to the next generation includes not merely the ownership of a business but the domination (i.e. management power) of a business. In a family-operated business, a leadership transfer from an elder generation to a younger generation seems to be particularly critical. The survival of a business development is all dependable on the operating capacity of the next operator. Therefore, the incompetence of a successor

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1 “Two legs walking” means “there are two ways to solve the issue of separation of rights of ownership and management”.



will directly lead to a business failure. "From clogs to clogs is only three generations" is fatal to a family business with a paternalistic management which refuses to be involved with a professional management. Yet with a continuous development of management sciences, a growth in the large scale of operations of Chinese family businesses and an industrial upgrading, an approach of professional management will be more and more needful and accessible. By entering into the path of professional management, it also opens the way of future development for the Chinese family businesses.

According to Eisenstadt, although the modernization would undermine certain aspects of the old tradition, yet in the process of social changes, certain aspects of the old tradition will be raised and emphasized once again to address the crisis of a culture gap and to establish a new collective identity (Eisenstadt, 1973, pp. 209-210). Hence, culture has a strong heritage in a social group. Although there is a disintegration of family organization practiced by the Chinese indigenous era, as times progress, the family structure becomes a core and minimized unit. However, the concept and behaviors of hierarchical and sequential management among Chinese remains intense. Consequently, the approach of relationship generalization is limited. Malaysian Chinese community has been essentially remained as a particularistic culture, as they are family-centered, their social relations indicate a decline of intimacy in an unstable manner with the approach of hierarchical and sequential management. This results in different patterns of management style, especially in certain small and medium sized Chinese family businesses where the application of hierarchical and sequential management is foreseen to be lasted for a very long period of time. The major drawback of the hierarchical and sequential management is that "it weakens people's motivation towards their jobs and their cohesions towards their companies of which they are not part of the associated members of that family." It is not conducive to the implementation of any human resource strategies. When the development of a modern business reaches to a certain stage, its most essential core competitiveness lies on its strength in technological innovations and human resources. Therefore, for a Chinese business which has developed to a certain size and which possesses certain strength, the implementation of a standardized institutional management is imperative. Like Muda Holding Berhad, it is typical Malaysian Chinese family business with institutionalized management model. For example, The company's rule requires a pre-approval from the general manager for any single purchase of raw materials which is over ten thousand ringgits. Furthermore, the purchaser is to provide three quotations from three different suppliers for the raw materials proposed to be purchased, and to make known in his/her report the communication means applied, so that the company could make a careful choice for a better priced quality product. If the price and quality are not qualified to the standards required by Muda, not even the suppliers who are acquaintances to the board of the

directors are to approve the transactions.

The new generation of Chinese entrepreneurs focuses on both the network relationship that brings value to their businesses and a constant exploration of their internal potentials, by enhancing their product quality and their corporate images to develop new markets and to increase their market share. As the legal environment and judicial system in Malaysia is improved gradually, the new generation of Chinese entrepreneurs emphasize more on the role of the commercial contracts have in their business cooperation, as compared to their predecessors, and they are more likely to take legal means to resolve any commercial disputes.

The future market, customers, competition and core competences may be completely different from the past. As a result, family business must continuously consider and adjust their business objectives, product, market positioning as well as other key issues related to the future survival and development of its business. Management models adopted should be able to meet the actual situations of the business, in order to make effective choices for different companies or for different stages of development in a same company. Meanwhile, the existing problems encountered by the family business should continuously undergo some adjustments and reformations, as indicated so by a Chinese proverb, to “extract the essence and discard the dross”. Furthermore, by constantly carrying out of a management research or management innovation, in particular the creating of an organic combination between the advantages possessed by a family business and the implementation of a professional management, does promote a sustainable economic development for the Malaysian Chinese businessmen.

### **Ann Joo Resources Berhad Case Analysis: A New Vitality for the Traditional Family Business**

Ann Joo Group is primarily engaged in the manufacturing and trading of steel and steel related products. Ann Joo started out primarily as a scrap metal dealer in 1946 by the late Mr. Lim Kah Seng, its founder, whose vision and strong entrepreneurial spirit have brought much success to the Group. Today, the Ann Joo Group has grown to become one of the most efficient and reputable steel groups in Malaysia<sup>2</sup>

#### **The Family Business Management Model**

Currently, there are eight directors in the Ann Joo's Board of Directors, of which four of them are from Lim's family. The eldest son of Mr. Lim Kah Seng, Dato Lim

2 Information source: True record extracted from interview with Dato Lim Kiam Lam on 9 May, 2013 in AnnJoo Group office.

Kiam Lam, is the Executive Chairman of Directors for Ann Joo while the other four are independent directors. Dato Lim Kiam Lam has his full control over the operating management of Ann Joo's Group. Fundamentally, the Lim' family has both the power of ownership and management. As the patriarch of Ann Joo's Group, Dato Lim Kiam Lam exercises his leadership style with a combination of autocratic leadership style and democratic leadership style. Most of the times, the important events of the company are discussed and passed through the resolution of the Board of Directors which is mostly generated from the key management personnel of Lim's family. The other four independent directors play their roles in overseeing the company's operation without participating in the management of the company. When it comes to handling of different opinions and suggestions found within the Lim's family towards the company's operation and development plans, Dato Lim Kiam Lam voiced his stand and said, "Different views are good. It makes us to further discover an exact path for the development deliberately." The decision making process adopted by Ann Joo Group is the result of a discussion and final co-agreement reached by both the business owner and his key management team, with stronger level of delegation of authority. Its management style shows that the patriarch of the family business exercises his paternal authority in a common manner with his subordinates. The patriarchal management model practiced by Ann Joo Group is stronger in its controlling level compared with these management options and the patriarchal management model adopted by the initial developmental stage of Ann Joo Group (as shown in table 1-2). Within the fourteen management personnel in the key management team of Ann Joo Group, nine of them are Lim's family members, and half of its members in the board of directors are from its own family members. Mr. Lim Kiam Lam functions as the Chairman of the Board of Directors and he is considered to be the third generation of successors in the Lim's family business. Basically it indicates a fact that Ann Joo still remains its condition as an entity which combines its power over its ownership (Lim's family) and management (Lim's family). Meanwhile, Dato Lim Kiam Lam has no intention of retirement, and a new leader is still under the process of selection. The new chosen chairman must be a member of the Lim's family. Dato Lim Kiam Lam is influenced by the Confucian culture and he values a low-profile, practical, hard-working and courageous character, and he stresses on the importance of family unity and cultivates a harmonious culture in the company. Thus, we conclude that the paternalistic management model of Ann Joo Group is more actively practiced. In a harmonious management model, the government-business relationship of Ann Joo is strong. This is due to the formation team of the four independent directors of Ann Joo Group, which consists of a professional accountant, a Crown Prince of Negeri Sembilan, a former Secretary of the Ministry of Trade and Industry and a former police chief. They are

all people with political background. Furthermore, Ann Joo Group has also become a high-quality steel supplier for the national large-scale projects, such as Kuala Lumpur International Airport, KLCC LRT station, Administrative Center of Putrajaya as well as other light rail projects. Hence, we conclude that the business management of Ann Joo has a high level of government –business relationship. The Lim's family is not merely concerned about the internal unity and efforts contributed as a family, but they major more on the cooperative development with the relationship network built with outsiders (Table 2).

**Table 2 Management Model of Ann Joo Group**

Management Content	Management level				
	Strong	Less strong	Fair	Weak	Weakest
1.Unification of ownership and management rights	√				
2.Patriachal leadership style					
2.1 Company affairs:					
2.1.1 Sole decision-maker as business owner		√			
2.1.2 Co-decision reached by the business owner and his key management team		√			
2.1.3 Co-decision made by the Board of Directors/Board of Shareholders		√			
2.2 Level of delegation		√			
2.3 Exercising paternal authority on his subordinates			√		
3.Application of hierarchical and sequential management	√				
4.Succession from Generation to Generation	√				
5. Harmonious management model					
5.1 Internal harmony within the business	√				
5.2 Government - business relationship	√				

Management Content	Management level				
	Strong	Less strong	Fair	Weak	Weakest
5.3 Reliance on Network Relationship	√				

Source: In accordance with an actual designed interview

### An Approach of Hierarchical and Sequential Management VS Institutionalized Systems

With a detailed table demonstrating the approach of the Hierarchical and sequential management (3), the emphasis which the management of Ann Joo Group places on the institution and execution of rules and regulations and the restriction on the disciplinary of labors is clearly reflected. There definitely exists a management style with the application of the Hierarchical and sequential management. In a family business company, where large number of relatives are working together, and with the Chinese traditions and cultures being actively practiced, there are certainly some weaknesses discovered in the management order where everyone will not be treated equally. As shown in table 3, those who are related to the owner receive more opportunities in authority delegation and participation in decision making comparing with the general workers. All the rules and regulations applied by Ann Joo are sound and complete, and the company demands a strict enforcement and compliance of these rules and regulations, especially in the production department. But it will take a period of time in order for Ann Joo to really reach a significant stage in institutional management.

**Table 3 Management Model of Hierarchical and Sequential Management' Applied by Ann Joo Group**

	Insiders (sons, daughters and brothers)	Outsiders (General workers)
<b>Emotional Attachment</b>		
Closeness	More	Less
Trust	More	Less
<b>Management styles</b>		
Participation in Decision -Making	More opportunity	Less opportunity
Delegation	More	Less
Communicate to Superior	Frequent	Seldom
Attitudes towards Subordinates	Gentle and negotiable	Gentle

Disciplinary Restrictions	Strict	Strict
Execution of Ruling System	Strict	Strict
<b>Distribution of Resources</b>		
Distribution of production resources	More	Less
Employment status	Long-term employment	Long-term employment or short-term employment
Promotion Opportunities	Faster, higher rate	Slower, lower rate

Source: In accordance with an actual designed interview

### **Human Resource Used as A Strategy**

Lim's family is typically a large family with large population. Ann Joo insists on a policy of 'two legs walking' as its human resource strategy, which majors on the education and professional training for its family members with the incorporation of employed professionals. The Lim's family stresses hope that their children will become the talented assets in the company's management. Most of their family members as the third generation of successors received their courses in business management and other modern management in Europe and the United States, and thus results in a continual rising of quality and standard level of management in Ann Joo Group.

The Group pays great attention to the training of human resources for its future development. In 2005, more than signing a contract with a leading German steel consultation firm to receive a technology transfer program, Ann Joo Metal Sdn. Bhd. had signed also a contract of manpower training program which provides training for all workers in the company. Besides that, Ann Joo Group also come up with 50 million ringgits in 2006 to provide the students loans to the students in Tunku Abdul Rahman College in order to solve the financial problem of the high academic achievers and students who have financial difficulties to complete their education, and at the same time provides manpower training programs to them as well. The provision of loans for students serves to help the companies in searching and cultivating those outstanding professionals. The company's Chairman, Lim Kiam Lam said, "When we employ a staff, the first thing that we consider is whether the person has the ability to do the job." Ann Joo employs the principle of meritocracy and implements this as the human resources strategy.

Temporarily, as the operation of Ann Joo is under a good condition, it does not require a system that separates its ownership from management which solely relies on the professionals in managing the company.

### Company Association and Technological Innovation

Scientific technology is the first key factor that influences the productivity. With the advancement of the era, Ann Joo Group started to produce high-tech steel products to meet the market demand since 1990s. The table 4 below shows the new collaboration of Ann Joo Group Company and its subsidiaries' businesses and products, stating that Ann Joo Group has been consistently collaborated with Japanese companies to get their assistances through their advanced technologies, in order to discover and develop a strategic policy for the new products and good market adaptability. In year 2005, Ann Joo Steel has signed a contract with a well-known German Steel Consultation firm to transfer technological programs thereby increasing their productivity and technical contents. In January 2006, Ann Joo Resources Bhd. has purchased 67.67% of the shares in Malayawata Steel Bhd., coupled by the 30.04% of the shares acquired in 1961, making Malayawata Steel Bhd. a subsidiary company under its group and was further renamed as Ann Joo Steel Bhd. After Ann Joo Steel Bhd. was incorporated into Ann Joo Group, the investment in iron production and hot metal charging is increased to improve the existing process of steel-making and to enhance the product quality, and to produce some substituted products for the high-class products imported. The chairman of Ann Joo, Mr. Lim Kiam Lam said, "In order to cope with an increasing fierce competition, powerful alliances are needed to maintain an invincible position in the market. In the process of the collaboration, advancement in technology, superiority in talented personnel as well as information resources can be shared." After years of joint efforts in development and skill renewals, Ann Joo Group has grown to be the leading company in the steel business in Malaysia.

**Table 4 1990s Ann Joo Group's Joint Venture and  
List of New Subsidiaries and products**

<b>Year</b>	<b>Company name</b>	<b>Associated company/ subsidiaries company</b>	<b>Products and services</b>
1989	Anshin Steel Service Centre Sdn Bhd	Ann Joo Group Marubeni Corporation of Japan	Trim cutting the electrical industry for huge demand of steel products, such as cold, hot rolled coil and plate, galvanized and plated steel and other products

Year	Company name	Associated company/ subsidiaries company	Products and services
1990	Anshin Precision Industries Sdn Bhd	Ann Joo Group Marubeni Corporation of Japan, Sanritsu Industry Co. Ltd. , Hitachi Ltd.	Produce advanced precision punching metal component
1991-1995	Hua Long Construction Machinery Co. Ltd	Ann Joo Group	Contracting construction
1991-1995	Hitec Metal Sdn Bhd	Ann Joo Group	Structuring steel engineering industry
1996	Hanwa AJ (M) Sdn Bhd	Ann Joo Group Japan Hanwa Co. Ltd., Yokoba Industries Co., Ltd.	Precision cutting of various types of steel
1996	Daian Technical Industries Sdn Bhd	Ann Joo Group subordinate Anshin Precision Industries Sdn Bhd and CSK Corporation	Steel molding industry
2006	Acquisition of Yawata Iron & Steel Co. Ltd.and named it as Ann Joo Metal Sdn Bhd	Ann Joo Group	Improve the current steel-making process; Develop and produce high-grade imported substitute products

Source: Sin Chew Daily, 8 December 2006

### Company's Interest-driven

The family culture is built on the basis of the family's relations in the family business where the family's relation is for the interest of the family business. When the relationship is harmonious, it reduces the operating costs to a minimum level and maximizes the interest of the business as well. The Lim's family is a big family, whereby their family members occupy important positions in the management of the Group. The Chairman, Lim Kiam Lam said that, "the family emphasizes on a mutual understanding to get along with each other. In the business development process, harmony exists between family members and a selfless devotion is essential." The Vice President of Ann Joo Group, Mr. Lim said that, "There are disagreements between our family members. However, we are holding to the principle of keeping the overall interest of our family at heart. Moreover, we have worked together for so many years, and there are tacit



agreements among the family members. As a Chinese proverb says, “Great trouble can turn into small one and small into none at all”. After the problems are resolved, they continue to go through thick and thin together.” As the family members insist to adhere to the interests of the company as a whole and consider the development of the company as a collective concept for the family, the Lim’s family members work closely with each other to create a brilliant achievement for Ann Joo Group.

Along the long period of nearly 70 years of development, the hard-work, the honesty and trust, the continuous reformation and innovation, the perfect strategy of human resources, and the unity and cooperation within the family have created a new peak in the career path and led Ann Joo Group to become a leading company in the steel industry in Malaysia.

### Conclusion

The management styles of Malaysian Chinese family businesses have been undergoing a gradual transformation as time progresses, with the great impacts received both from the technological advancements and the process of globalization. The transformation in the management styles adopted by Ann Joo Group has specified these, e.g. by putting more emphases on a systematic management and a social capital operation; the entrepreneur is not the sole decision maker for the company, instead the key management staffs in a family business will synergize and work as a team; there is a balance found in the utilization of human resources, cultivating its internal family members to take on the heavy roles of the company as well as recruiting professionals to assist in business management. Chinese family business starts with a concept of ‘harmony makes prosperity’, forsaking some malpractices of their traditions amidst the process of development, and absorbing from the Western businesses advanced methods of capital operation and human resources management. They have combined the essences found in the East and in the West, and come out with a new business approach that is extremely flexible in meeting the changing needs of the market. They have kept the business to be long lasting. Furthermore, their existence and growth have provided for the world a brand new eastern way of managing a business.

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