

FACTORS THAT INFLUENCE PERFORMANCE OF FAMILY BUSINESS IN MELAKA, MALAYSIA

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ABSTRACT

That family business are important and affect the economy of a country especially in developing countries both in terms of contributions to GDP and labor absorption. The purpose of this paper is to identify factors affecting the performance of family business run by women entrepreneurs in Melaka, Malaysia. This study used a quantitative approach, by distributing and collecting questionnaires from 150 female respondents who have their own business. This study found evidence that goals and motivations, networks, and sales affect the performance of family firms. While management practices are not important. The implication of this research is that women entrepreneurs consulting, management and business counseling and training activities are not needed in developing and enlarging their business.

Keywords : Family business, Business Performance, management practices.

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INTRODUCTION

Nowadays, the family controlled firm or family ownership is the most common form of business organization in the world. A torrent of literature explains that family ownership is central in most countries. Refer to Zain et al. (2012) describes that Malaysia has the third highest concentration of control after Thailand and Indonesia. Family businesses have become a significant element in the corporate economy. This may be because family firms were established a long time ago and have proven performance track records. Both scholars and practitioners acknowledge the successful background of family-controlled firms.

The family is an important school of values, where family members must be taught

to participate actively in important decision-making processes as well as making responsible use of their freedom, maintaining links with the family and with the family business. Therefore, that family member is taught from the very early stages to be committed to the long-term continuity of the family business and to be socially responsible. This means in the first place that the commitment shown by family members must run deeper than just a “financial commitment” (Gallo et al., 2006).

Barret and Moores (2009) state a relatively small number of studies have investigated the factors influencing entrepreneurial performance exclusively among women from the research perspective. Studies on the factors affecting performance of

women entrepreneurs' of their businesses are limited in scope, as any existing research most often focuses on individual characteristics and motives as performance predictors.

LITERATURE REVIEW

Furthermore, have many reasons that motivate the women entrepreneur to enhance the business performance. Hall and Mattias (2008), have 10 reason why entrepreneur start to make business. There are to earn income, interest in doing business or like to do business, family inheritance, bored at home, to be independent, no other available job, to help a family member, easy operation, possibility to combine with family duties, to get daily rather than monthly income and lastly physically disability. This reason has shown that are much reasons why entrepreneur start to do business.

Van and Werbel(2006)stated that there are four factors that influence the performance of entrepreneur. The factors are individual factor, management practice, goals and motivation, and finally networking. Each of these factors is created to identify the factor of influencing successful performance of entrepreneur and that the factors have been studied in family business. These factors are:

1. Individual Factor

The individual characteristics focus on the skill and knowledge of women entrepreneur, status, education and also family background that affecting entrepreneurial business performance. Age and years of formal education have been shown to correlate positively with the business performance of women entrepreneurs. Valencia(2006)reckons that less educated women may face financial or human capital constraints which limit their business pursuits. According to the researcher, individual factor is important factor why women become entrepreneur. From this factor the reasons women be entrepreneur can be known after know the capability of women ruin the business whether the business is success or not. If the business success that means the

women have someone that supports them to be successful in their business(Nadgrodkiewicz,2011).

Furthermore, to achieve this achievement, the women must take high risk to achieve this level. The factors that include in individual factor are:Family Background, Status, Education and Skill and Knowledge.

2. Management Practices

Zain et al (2012) reports that the management styles of women entrepreneurs was best described using relational dimensions such as mutual empowering, collaboration, sharing of information, empathy and nurturing. Importantly, these dimensions, which have also been associated with women in different professional occupations, were deemed to be associated with firm performance. Women do work differently from men. The essence of strategy is choosing to perform activities differently from rivals, which requires creativity and insight. The strategy of manage the business is important to make sure the business run very well. Employee and marketing strategy are very important in this management practice because it can influence the business. Women entrepreneur must know about both of this to run the business well. Management Practices include: Employee(Zain et.al, 2012) and Marketing(Barret and Moores, 2009).

3. Goals and Motivation

The researchers found that women typically are motivated by a more complex set of objectives for starting a business than male counterparts. Factors related to the desire to achieve flexibility between work and family lives are valued differently by the genders. In addition, Van Auken (2006) found that individual motivations and owner or founder goals are related to performance in women-owned businesses where opportunity motivation was related to survival and independence was associated with "no growth". As a result, motivation shows a strong relationship to business performance. It can be an important explanatory variable to firm performance as far as women

entrepreneurs are concerned are Financial, and Competitiveness (Barret&Moores, 2009).

4. Networking

Networking will help women entrepreneur enhance the business performance. Networking with supplier and customer will maintain the relationship among them and they will become strong relationship in business. They can help each other when although outside from business. Information technology also will help women entrepreneur to increase the business performance. With technology, women entrepreneur can know what they will do about their business if they want to maintain the family business. Therefore, supplier (Nordin, 2005), and information technology factor is important to run the business success.

5. Performance in Family Business

Business performance relates to the performance of a company. Depending on the subject of interest, this can be viewed and assessed on the aspect of qualitative or quantitative performance. Qualitative performance indicators can relate to customer satisfaction, service quality, and ethical aspects of a company's operation, learning perspective measures like skills development and market innovation. On the other hand, a more objective measure is financial performance. The key standard measures are profitability, growth, and sales amongst others. Wahjono (2012) note that family firms have greater incentive to maximize firm value in order to enhance their ownership interest in the firm, and reported higher market equity to book equity ratios for family controlled firms compared with their non-family counterparts. Financial performance such as profit and sales is important to the business.

RESEARCH METHODOLOGY

This research use quantitative approach. Questionnaire as a research instrument build base on literature review, distribute to women entrepreneur in Melaka, Malaysia. This study was carried out by using a survey questionnaire to get data from women-owned SMEs. There are 150 from 200 women entrepreneur have been participated using purposive random sampling. Data collected in complete answered from Melaka (105 respondent or 70%), Jasin (25 respondent or 16%) and Alor Gajah (20 respondent or 14%) and analyzed by SPSS 20.0. Each sample was given a questionnaire to be completed. The questionnaire is a crucial element in this study for identifying the value of study overall. The questionnaire was categorized into two sections, Part A and B. Part A consist of Information of women-owned SME's characteristic, Part B consist of Factor of Women Entrepreneur (Individual Factor, Management Practice, Goal and Motivation, and Networking). This study used intervalscale and ordinal scale in Part A, whereas in Part B, the reseachers use Likert Scale from 1 (strongly disagree)until 5 (strongly agree). The questionnaires were distributedat the beginning of 2014 and personally distributed by theenumerator. Basically, the questionnaire is conducted as afollow up procedure after the distribution of questionnaire.

This study carried out 25 samples to be tested in the pilotstudy. It is important to test the reliabilty and validity of thequestionnaire. The result showed that cronbach alpha is morethan 0.6 and it implies that the questionnaire is reliable andvalid.

FINDINGS & DISCUSSION

Below is finding from women owned characteristic.

Table 1. Respondent characteristic.

Items	Frequency	Percent	Cumulative Percent
Age			
>60	2	1.3	1.3
20-29	57	38	39.3
30-39	44	29.3	68.7
40-49	30	20	88.7
50-59	17	11.3	100
Total	150	100	
Education			
PMR/SRP	4	2.7	2.7
Primary School	1	0.7	3.4
SPM	56	37.3	40.7
STPM	15	10	50.7
University	71	49.3	100.0
Total	150	100	
Marital Status			
Divorced	5	3.3	3.3
Married	95	63.3	66.7
Single	50	33.3	100
Total	150	100	
Have family in business?			
No/Tidak	40	26.7	26.7
Yes/Ya	110	73.3	100
Total	150	100	
Age start bussiness			
<20	37	24.7	24.7
21-30	74	49.3	74
31-40	32	21.3	95.3
41-50	7	4.7	100
Total	150	100	
Average Monthly Sales?			
<RM5,000	67	44.7	44.7
>20,001	6	4	48.7
10,001-15,000	13	8.7	57.3
15,001-20,000	5	3.3	60.7
5,001-10,000	59	39.3	100
Total	150	100	
Business Performance (compare 2011-2012)			
Decrease/ Menurun	2	1.3	1.3
Increase/Meningkat	130	86.7	88
No Change/ Tidak Berubah	18	12	100
Total	150	100	
Uses of Technology in Daily Activity			
Always/Selalu	55	36.7	36.7
Never/Tidak pernah	4	2.7	39.3
Often	30	20	59.3
Rarely/ Sangat Jarang	13	8.7	68
Seldom/Kadang-kadang	48	32	100
Total	150	100	

Most of the respondents already have the family business to continue. They continue the family business, but also have some respondent do not continue the family business. Business performance is also increase from year by year. It shows that with business, they can gain profit every year and it will be increase by time. All respondent have different background family and also have different of education. They make business because they like to make something new in their life and they also like the challenge in business life.

Correlation Coefficient

Correlation coefficient is to check whether the developed hypothesis is to reject or accept in the research and normally this test can be done by using Pearson's Correlation test analysis. This test will identify the relationship between each variable to test the relationship strength of independent variables and dependent variable. Furthermore, correlation also can measure through referring R-value will explain the strength of the relationship between those variables from weak to strong

level and the interpretation for the correlation coefficient is shown above in table 1.

Table 2: Correlation Coefficient

		Individual Factor	Management Practice	Goals & Motivation	Networking	Performance & Sales
Individual Factor	Pearson Correlation	1	.046	.844**	.869**	.809**
	Sig. (2-Tailed)		.578	.000	.000	.000
	N	150	150	150	150	150
Management Practices	Pearson Correlation	.046	1	-.001	.057	-.021
	Sig. (2-Tailed)	.578		.986	.492	.803
	N	150	150	150	150	150
Goals & Motivation	Pearson Correlation	.844**	-.001	1	.890**	.839**
	Sig. (2-Tailed)	.000	.986		.000	.000
	N	150	150	150	150	150
Networking	Pearson Correlation	.869**	.057	.890**	1	.795**
	Sig. (2-Tailed)	.000	.492	.000		.000
	N	150	150	150	150	150
Performance & Sales	Pearson Correlation	.809**	-.021	.839**	.795**	1
	Sig. (2-Tailed)	.000	.803	.000	.000	
	N	150	150	150	150	150

** . Correlation Is Significant At The 0.01 Level (2-Tailed).

Table 2 show the results of the correlation coefficient (Pearson Correlation) to Performance for Goals and Motivation is 0.844, for Individual Factor is 0.809 and for Networking is 0.795. all of 3 factors are significant for correlation to Performance. But Management Practices is not significant and have negative value. Only the management practise do not have correlation it means does not affect the women entrepreneur to enhance business performance.

DISCUSSION

This finding is not in line with Aida (2009) that says women be entrepreneur because of four factors that are individual factor, management practices, goals and motivation and networking. So, the different of this research is management practice factor. In this research, management practice do not affect for women entrepreneur factor because the relationship of the factor not significant with dependent variable.

This finding is in line with Hall and Mattias (2008) that individual factors which family role, support business performance. The presence of a parent entrepreneurial role

model was associated with an individual’s business performance. It is individual factor which family role and support was approach women to be entrepreneur. Psychological motivations such as achievement, independence and locus of control have received significant research attention to their influence on business start up

This finding is in line with Van Auken and Werbel (2006) that individual motivations and owner goals are related to performance in women business, where opportunity motivation was related to survival. Women entrepreneur can solve all problems and challenges that come to their business they can solved the problem. Generally, the factor of women entrepreneur can make the women be comfortable with what they have known. They need to improve their skill in business and then learn a new thing to make the business is known in the world. The new technology will help them to improve their business performance.

This finding is in line with Lee (2006) that the women entrepreneur’s years of prior

experience in the industry are positively correlated with business performance.

This finding is in line with Zain et al (2012) that the dominant predictors of success for women entrepreneurs are industry experience and years of self-employment. These entire factors have its important to each other and it can help each other to enhance business performance. The most important factor is goals and motivation. It means it about the support from close relatives, friends and employee that help women entrepreneur to increase the business performance. In addition, as a result, motivation shows a strong relationship to performance. It can be an important explanatory variable to firm performance as far as women entrepreneurs are concerned. Women value their ability to develop relationships.

This finding is in line with Jinwen and Xiaoying (2011) that support systems, mentors, and advisors; business associates and friends; participation in trade associations and women's groups are the significant networks which are positively associated with business performance. It is also about the individual factor of women entrepreneur that make them like much the business.

CONCLUSION

Factors that are important for improving the performance of women in business are: individual factors, goals & motivations, and networks. Meanwhile, management practices such as: ability and employees are not important. If people want more, they want more training, counseling, and counseling for the network, and help, provide help to be tough, resilient and creative entrepreneurs,.

LIMITATION

This research has some limitation, especially in distribution of respondent: a) more distribute in city (Melaka) 70% than in rural (Jasin – 16% and Alor Gajah – 14%), we know that people who live in the city have understand marketing problems more than people who live in rural, and easy to find employees who have sufficient skill.

The next limitation that because, majority respondent has high education (university) is 49.3%. This rely on average education in this research which university people are not necessary with management practice before they start the business. Although the university student learn about entrepreneur subject, but they do not practice the entrepreneur training but only learn the theory.

The other characteristic respondent that cause limitation of this research are: young (age: 20-29 years old) – 38%; Married women – 63.3%; have family in business – 73.3%; have enough experience in business – 49.3%; balance in Low (<RM5,000 monthly)-44.7% and High (>RM20,000 monthly) 39.3% in Sales; Increase in business performance at least in the one year ago – 86.7%;

Moreover, the researcher gets new information about technology from the respondent. Most of the respondent (36.7%) always uses the latest technology in daily business to increase the business performance. It is different with other research that state without technology their business also can increase. Nowadays, the technology is very important to entrepreneur to make sure they can do inline business to increase their customer and it can help to save time.

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