

CONFERENCE PAPER

The organisational lifecycle of a family business and the crafting of its business strategy over time – A Malaysian case study

Dr. Anne Ho Poh-Chin
Sunway University Business School, Sunway University,
Selangor, Malaysia

I. INTRODUCTION

In the late 1960's, Mr. BM (abbreviated name) was about six years old and had just started schooling, when he was already helping out at his father's business. His father, an Indian-Muslim immigrant from India to Malaysia, had started a small business of selling three types of Indian and Malay cooked dishes that he prepared and served from an apparatus that was strapped to the top of a three-wheeled motorbike. In the 1970's, the 'motorbike business' became a foodstall and after a long run of business success, it moved to becoming a full scale restaurant in 2003. Today, the family business known as KNK (abbreviated name) has two restaurants, seven branches, two franchises and continues to attract propositions for local and international business alliances.

This prompted the research question of how do founder-owners of family business 'do strategy'? In particular, how do people like BM who stopped schooling at an early stage and without any formal business education, conceive and implement business strategy with such success? This led to the research aim of enquiring into the nature of the family business strategy along the lines of Mintzberg's (1994) analysis of the forms of strategy as a planned or emergent process.

This paper traces the lifecycle of the KNK business and analyses the management actions and as a result, the business strategy, taken along that path. It will characterise the nature of each stage of the business as well as the founder-owner's perspectives and activities occurring during those stages. This allows an analysis to be made of the founder-owner's past and present strategy-making.

II. LITERATURE REVIEW

The making of business strategy as one that is formally planned (Ansoff), or one that is intuitively crafted (Mintzberg), continues to be debated. In a fresh look at the debate which Whittington and Caillaet (2008) describe as leaving the 'notion of formal strategic planning

(appearing as) anachronistic, even faintly ridiculous' (p.241), they suggest that 'planning is a craft too' (p. 244).

From the family business perspective, Ward (1988) encourages a formal approach to strategic planning but appreciates that family businesses are wary of planning for reasons such as, that it will inhibit 'instinctive survival skills' (p. 194) and business flexibility; the negating effect of uncertainty on the planning process and the threat of having to compromise in order to implement the changes raised by new plans. According to Ward, this approach requires that family businesses do not presuppose that business growth occurs automatically but that it needs specific action to be taken as guided by strategic planning.

Similarly, Sharma, Chrisman and Chua (1997) puts forward the view that 'the basic strategic management processes for both family and non-family firms...must be formulated, implemented and controlled in the context of a set of goals' (p.2-3).

This paper therefore, adds to the debate and argues, from the perspective of a family business, that a strategy that successfully propelled a family enterprise from a struggling, surviving start-up to a food retail chain of restaurants, emerged as scenario of opportunities that presented themselves to the business and bold moves taken as they arose, rather than one that was forecasted or planned in advance.

III. METHODOLOGY

According to Rosenthal (2004), biographical research focuses on an individual's subjective perceptions of his or her actions and experiences, what meaning they attribute to them and their contexts, in order to understand and explain their behaviour. Similarly, Squire (2008) points out that the narration of an experience provides a meaningful expression of an event as well as the transformation or change occurring within it. Adopting a narrative approach, according to Riessman (2003), does not assume objectivity but emphasises subjectivity instead and is aimed at investigating the story itself.

Fenton and Langley (2011) trace the application of narrative-based methodologies to studies and research on business strategy from the period 1991 to 2007 and show findings that have contributed to our understanding of the practice of strategy in aspects such as the construction of shared understandings of strategy, forms of strategy practitioners' engagement with strategy, the content and communication of strategy and how it can influence the thrust and direction of strategy activities (p.1190).

In the field of entrepreneurship research, Larty and Hamilton (2011) trace the application of the narrative analysis approach from 2000 to 2010 that have enriched our understanding of

entrepreneurship and the small business in areas such as the entrepreneurship concepts and processes, entrepreneurial roles, the nature of interactions among entrepreneurs and stakeholders, entrepreneurial identity and goals, the cultural contexts and social networks of entrepreneurship and entrepreneurial perceptions of opportunities and risks (pp.221 and 222).

In drawing attention to the 'opportunity-creative time' (Hjorth, 2007) in the entrepreneurial process, Hjorth points out that a narrative approach to the study of entrepreneurship provides insights from a 'creative social energy' perspective with an emphasis on the 'process of *creating* opportunities' instead of the 'management of *created* opportunities' (p.719). In this way, Hjorth states that the narrative approach does not negate but complements the prevailing and dominant economic and managerial approaches to entrepreneurship.

IV. ANALYSIS

1. Method of Analysis

The analysis proceeds along the lines of identifying the developmental phases of the KNK business and from this, its organisational life cycle will be charted. Within each stage of that lifecycle, the nature of its management actions will be looked at and the resulting pattern of business strategy will be analysed in order to ascertain the extent to which the strategy which underpinned the growth and success of the business was one that was formally planned or which emerged organically along the way.

This method of analysis based on a 'lifecycle-management action-strategy' pattern is necessary because it is not possible to ask the respondent directly 'what is your business strategy?' Instead, this process of analysis supports the view that the articulation of such a strategy by the respondent is difficult not because a strategy does not exist but rather, that framing the question as a managerial process 'conceptualised in terms of structure, roles and decision making' (Hjorth, 2007 p. 717) when entrepreneurship (and the strategy it encapsulates) is 'creative social energy' (p.718), will not aid an expression of that strategy compared to asking the respondent to 'tell me your story' (following Miller, 2000).

2. Developmental phases of the KNK business

The chronological developmental phases of the KNK business can be traced as shown in Table 1 below.

Table 1: The chronological development of the KNK business in the period 1968 – 2012

Period	Nature of the business	Duration (approx.)
1968	The business takes the form of preparing and selling 3 dishes that took the form of noodles (<i>mee goreng and mee rebus</i>) and a local Malaysian salad (<i>rojak</i>), atop a three wheeled motorbike.	5 years
1972	It converts to become a food stall located in a food restaurant (comprising of other independent food stall operators as well). The menu extends to include a traditional Indian bread (<i>roti canai</i>) with a curry accompaniment.	2 years
1974 - 2003	<p>The food stall moves to another restaurant in a newly developed residential housing and commercial area. This is regarded as the major turning point in the business and the start of a 'golden period' of success and profitability.</p> <p>The business now involves family members, some relatives and staff that make up a team of about 5-7 people. The food offerings extend to a full '<i>nasi kandar</i>' menu (Indian rice/bread with a variety of meat and vegetable accompaniments, topped with specialty Indian curry gravy). In the latter part of this period, it expanded its allotted space in the restaurant in response to a growing demand and customer base.</p> <p>The business name and reputation becomes known through word-of-mouth advertising, media coverage, brand loyalty, patronage by titled and distinguished persons that include government officials, and through catering contracts.</p>	29 years
2003	<p>The business grows from being a food stall to a full-scale restaurant with the acquisition of a three-storey corner shop lot. The restaurant is located on the ground floor with air-conditioning inside as well as with seating outside for 'al fresco' dining.</p> <p>The staff has grown from 5 to 50 people. The menu is very extensive – 3 main 'signature' dishes, 14 side order items, 12 varieties of Indian bread, 5 types of curries, 6 varieties of Malaysian dishes and a wide range of hot and cold beverages.</p> <p>The business is attracting propositions in the form of joint-ventures, requests for franchising and is itself, opening up branches. There was a joint-venture abroad in 2006/7 (as discussed later, this and</p>	9 years to present

	<p>another proposed similar joint-venture abroad were both subsequently terminated) and presently, the business has 2 franchised outlets and 7 branches in East and West Malaysia.</p> <p>Although the business has the opportunity to be listed publicly, the owner BM is adamant that this is not a preferred option (see further discussion below).</p>	
2011 / 2012	<p>The previous premises (above) where the business as a food stall, enjoyed a long run of growth and success, is put up for sale and KNK acquires it. As it operates mainly as a Chinese restaurant where all the food stalls serve a variety of Chinese dishes, this would indicate that the KNK business has diversified into the Chinese food restaurant business.</p>	

3. Analysis of KNK's organisational lifecycle

In following Adizes' (2004) model of the organisational lifecycle, he postulates a nine stage lifecycle of Courtship/Infancy/Go-Go/Adolescence/Prime/Stable Aristocracy/Early Bureaucracy/Bureaucracy/Death. According to Adizes, the optimal position along the lifecycle is the 'Prime' stage where the business is at peak performance. He further points out that the challenge is to maintain being in the 'Prime' position and not slide into the decline that may follow on. Thus, as Adizes points out, management of the business can take on a form that either retards or promotes the growth and development of the business as it navigates its way along the trajectory of its lifecycle.

a. The Courtship Stage

According to Adizes, this is the stage where a dream is courted by the founder of the business. It is a period where the founder is building up a commitment to an idea which he equates to the revving up of an aeroplane's engine to build the required momentum for a forward thrust. Adizes describes the founder's commitment at this stage as 'transcendental' in that it goes beyond just being concerned with profits or is exclusively concerned about returns on investment. Instead, it is the emotional commitment to the idea that the founder is 'obsessive' about (p.25). Thus, he regards the founder as 'prophet/founders' (p.27) rather than by implication, 'profit-founders'. It is a period of the one-person show.

In KNK, the courtship stage of the business would relate to the period around about 1968 when BM's father first started the enterprise with the 'restaurant' on motorbike. His father was at that time an immigrant from India, who had to periodically return to India and transit back to Malaysia, in accordance to the immigration rules of that period. His mother was then still residing in India. There was therefore, a keenly felt necessity to survive in the new country or choice. As Quinn and Cameron (1983, pp. 35-36) show in their summary of

models of organisational lifecycle, this is the stage of 'achieving the survival threshold' (Downs, 1967); of being 'concerned with survival' (Lippit and Schmidt, 1967); of 'adaptation to the external environment' (Lyden, 1975). This therefore, was the KNK experience at that time.

Given the economic necessity of making a living in a new country and what more, on an immigrant status with little resource by way of finance or other forms of credentials such as education or professional standing that can potentially generate a source of income, it is not unlikely that the commitment of the senior founder would have been highly 'emotional, transcendental and obsessive', at this critical start-up stage of the business.

b. The Infancy Stage

As Adizes points out, the dream stage of the Courtship period now gives way to the action Infancy stage. This is the critical period for the infant business where, borrowing from his analogy of the aeroplane above, having got off the ground, it must now stay airborne. To do this, Adizes shows that the founder now has to focus on sales in order to generate the cashflows and working capital crucial to sustaining the business. It is a period of hard work and results. Adizes uses the analogy of having to provide the milk (cashflow and working capital) for the baby (infant business) to grow. However, whilst action oriented, it is still driven by opportunities to refine the product (p.37). He further points out that the unshakeable commitment of the founder at the courtship stage has to continue as it is still a period of experimentation and learning. Adizes also states that a 'supportive home life' (p.48) is crucial to counteract the stress and pressures and to underpin the survivability of the new business.

The Infancy period of KNK would be in the late 1960's to 1972. It is evident that the 'restaurant' on motorbike successfully passed from Courtship to Infancy as it lasted five years. Furthermore, they had the financial performance that enabled them to convert the business from a motorbike unit to a foodstall. In addition, working capital could be managed to support an extension of the menu.

Sales had taken hold and the product as prepared and delivered was being accepted. The dream had survived and the venture was staying afloat.

The 'supportive home life' kept family and business together in synergistic tandem. As BM recounts, they were a close-knit family. He was himself from age six, already helping out after school with cleaning and washing the plates. In the periods when his father had to return to India in accordance with immigration regulations, his uncle would take over to ensure continuity of the business. They were poor and had to work hard. As BM relates, they had no television at home and he with the other children, would go to a neighbour's house to watch television (and compares it to the present time when his son is requesting a television for every room in the house).

As Quinn and Cameron’s summary shows, this aligns with the ‘determination stage’ in Torbert’s (1974) ‘Mentality of Members’ model (p.36); Katz and Kahn’s (1978) ‘Primitive System Stage’ of ‘cooperation endeavours based on common needs and expectations of members’ (p.36) and a stage where Kimberley (1979) states, there is:

- ‘formation of identity
- sense of collectivity of family
- high member commitment and involvement in the organization
- pursuit of organizational mission
- postponing individual need fulfilment temporarily’
(in Quinn and Cameron, 1983 p.37).

c. The Go-Go Stage

Adizes states that this is a period of healthy cashflows, repeat purchase behaviour from brand loyal customers and stable production activities. As Adizes points out, the survival stage is well past, the founder’s dream has come true, there is expansion through diversification and acquisitions and the business is indeed, flourishing.

In KNK, the progression to the Go-Go stage is sparked off in 1974 with the move to a new location and from which point, the business clearly accelerated and prospered. As BM says, ‘I now have four-generational customers.’ From his original personal goal of just being able to afford ‘to buy a house, a car and have a credit card’, BM and KNK now own many of these.

This period of business expansion through acquisitions, franchised and branch outlets, joint-ventures and related diversification, continues to the present time (see Table 1 above).

Thus, the developmental phases of KNK over its organisational lifecycle can be approximated in Table 2 below.

Table 2: KNK business developmental phases over its organisational lifecycle

Lifecycle Stage (Adizes, 2004)	KNK Business Development Phase
Courtship	1968 – 1972
Infancy	1972 – 1974
Go-Go	1974 - Present

4. Analysis of KNK’s management actions over the stages of its organisational lifecycle

In Adizes’ model, progression or regression along the lifecycle is a function of the founder’s managerial perspectives and actions. As KNK has already successfully progressed through to

three stages, the founder-manager actions will be compared with what Adizes puts forward as the right behaviours that are instrumental to that progression. This is shown in Table 3 below.

Table 3: KNK's founder-manager actions through the stages of the lifecycle

Stage	Management Actions (Adizes, 2004)	KNK founder-manager actions
1. Courtship	<ul style="list-style-type: none"> • Reality tested • Details thought through • Realistically committed founder • Product orientation-commitment to add value • Commitment commensurate to risk • Founder in control (p.31) 	<ul style="list-style-type: none"> • In terms of reality, the KNK business starts small and on a feasibility basis – it is a single ‘motorbike unit operation’. • A limited 3-item menu of two variations of a main item (noodles) and a cold salad is within the available human, financial and production resources and capabilities. • The small venture can be realistically committed to by the full involvement of family members who are also a close knit team. • There is the commitment to add value through quality of food served (with the benefit of hindsight, BM’s ‘four generation customers’). • The risks are buffered by a short cashflow cycle – customers pay immediately for the food served. • The founder is in control of the business as head of the family (father) and of the business.
2. Infancy	<ul style="list-style-type: none"> • Product orientation • Commitment not threatened by risk • Sustained commitment • Lack of managerial depth • Few systems • No delegation • One-person show but willingness to listen • Supportive board of directors • Management by crises • Short-term infancy • Benevolent dictatorship (pp.47-48) 	<ul style="list-style-type: none"> • The product/service generates support sufficient for it to grow beyond the ‘motorbike unit’ to a food stall. • The business builds on this reputation to extend its menu. • Risks are buffered by <ul style="list-style-type: none"> - renewable, short-term rental of space; - the addition of a dish that is within the existing family know-how; - the experience, learning and motivation of the past 5 years from having moved the business beyond survivability. • As the family is still young (BM is still schooling), the founder is in charge except for periodical delegation to an uncle; the close family ties ensure continuity and harmony in the business. • The close knit family amounts to a ‘supportive board of directors’. • BM does not relate any crises occurring in this period. • Dictatorship is benevolent as far as it is the founder’s commitment to do what he feels is necessary to secure the livelihood of the family. • This stage of the infant business is short-term of about 2 years

<p style="text-align: center;">3. GO - GO</p>	<ul style="list-style-type: none"> • Self-confidence • Eagerness • High energy • Sales orientation • Seeking what else to do • Increasingly remote leadership • Founder indispensable • Ability to run business by intuition (pp.69; 73-74) 	<ul style="list-style-type: none"> • BM states he now operates on 'auto-pilot' mode. • He seeks out opportunities although it is more a case of them seeking him out: <ul style="list-style-type: none"> - Friends approach him for a joint-venture abroad which he gets into but pulls out later due to what he regards as the difficulty of control from a distance and unfortunate lessons learnt (an episode he describes as his 'Ph.D in Business'); - BM halts a proposed similar joint-venture abroad due to lessons learnt; - The first franchise is awarded to a friend who helped him financially when he needed funds for the business as his way of 'returning the favour'; - The second franchise awarded was also 'to help a friend'; - BM is not in favour of actively pursuing franchising as he feels that too many franchised outlets may compromise having the same standard of quality throughout; - He also does not actively set up branches but does so if he sees the opportunity of a good location for one; - The recent acquisition of the Chinese restaurant was in his words 'to help a friend'. • BM is adamant he has no intentions of a public listing for the business as he does not intend to defer to others and prefers to keep the business ownership in the hands of the family (his wife, daughter and he are the only shareholders). • BM is solely in control of the business
---	---	---

Conclusion

This paper argues that in the business history of KNK to date, the making of its business strategy evolved in an organic or emergent manner rather than as a formal planning process. In this regard, Mintzber'g (1994) clarification of the meaning of 'emergent strategy' is followed and is stated as a strategy –

'...where a realized pattern was not expressly intended. Actions were taken, one by one, which converged in time in some sort of consistency or pattern. For example, rather than pursuing a strategy (read plan) of diversification, a company simply makes diversification decisions one by one, in effect testing the market. First it buys an urban hotel, next a restaurant, then a resort hotel, then another urban hotel with restaurant, and then another of these, etc., until the strategy (pattern) of diversifying into urban hotels with restaurants finally emerges.' (p.25)

Thus, according to Mintzberg, strategy can be a plan, an (emerging) pattern or as he points out, what is usually a mixture of both, which he terms as 'umbrella' (p.25) strategies.

Tracing the business history of KNK as discussed above, the following pattern emerges:

1. The senior founder commits himself and his family to a dream or vision of earning a livelihood as immigrants in a new country, by starting up a 'restaurant' on a motorbike. Thus, the driving force behind the venture is an emotional one of survival.
2. After being proven as viable for a good period of about five years, they are able to upgrade their modus operandus to that of a food stall as well improve their human and production capabilities to extend their product range albeit in a limited way. The family business is working towards the sustainability track. It is reasonable to infer that the senior founder is tapping the opportunity that has arisen to put his family business and therefore, family livelihood on a firmer footing.
3. The business now appears sustainable and there is an opportunity to re-locate to a newly developed residential and commercial area, which they again tap into. This will allow the business to compete in what can be regarded as a 'first mover' advantage in a less crowded (competitively) marketplace. As it turns out, this area rises in housing demand, property values and commercial space and business activity grows in an unprecedented manner, continuing to the present time. As the phrase goes, 'they have struck gold'. The family business was in there at the start and was able to take advantage of the lead time it had to make a name for itself and enjoy the 'four generation customers' it now has.
4. It is a period of about twenty-nine years when yet again, another opportunity springs up in the form of restaurant premises put up for sale right next to their current location where they are renting space. They take the plunge with a bold move which required them to risk all. As BM puts it, 'I put in all my money, my wife's money, the children's money (their educational funds) to do what my friends were telling me as amounting to buying a diamond mine for the price of a gold mine'. Today, this restaurant is the flagship restaurant in KNK food retail chain and the value of the property since 2003, has almost quadrupled. A bold and intuitive move has paid off handsomely.
5. It then becomes a period of 'success building on success' as the KNK name now becomes entrenched. Still, BM does not actively plan for them to occur. Rather the parties and propositions – joint ventures, franchises, branch outlets, come to him and continue to do so. In most of them, his motivation to participate is primarily driven by 'returning a favour' or 'to help a friend' and these strategic alliances have further expanded the KNK business.

6. At the turn of this year 2012, yet another opportunity turns up as the original premises where the business had enjoyed phenomenal growth, is put up for sale. Again, KNK finds itself with the opportunity to acquire restaurant premises. With this, it now has two major restaurants adjacent to each other, refurbished in a similar manner and has further diversified into the Chinese restaurant business.

In all the above, the clear pattern is one of opportunities arising one after another and of the family business finding itself in a position to take up each one of them, some of which were bold moves, and then finding itself propelled forward with each move. Thus, it was a clear pattern of survive, sustain, embed sustainability, tap an opportunity, tap another opportunity, tap yet another opportunity and the pattern of the strategy of the KNK business emerges.

Future Direction

Two questions may be posed in this context. The first question relates to content. Can the emergent style of strategic management of the first and second generation founder-owners that had brought the business to its present state of success, be (or should be?), replicated with the same (or better) results by the third generation founder-owner? As the first two founder-owners' strategic management styles were very much intertwined with their personal capabilities, will the next generation (BM's son) have the same (or higher level performing) personal qualities? The second question is contextual. Will the conditions and circumstances (and the imminent likelihood of change), that appear to have provided opportunities that were tapped by the first two founder-owners continue to operate in support of the next founder-owner? How will content (strategic management style of the founder-owner) and context (business conditions and circumstances) align to ensure on-going success and continuity of the family business? Further analysis of these questions will have implications for strategic management style and family business succession.

Reference List

Adizes I. 2004, *Managing Corporate Lifecycles*, Adizes Institute Publishing, California.

Fenton, C. and Langley, A. 2011. 'Strategy ad Practice and the Narrative Turn', *Organization Studies*, Vol. 32, No.9, pp.1171-1196.

Downs, A. 1967. 'The Life Cycle of Bureaus', *Inside Bureaucracy*, Little, Brown and Company and Rand Corporation, San Francisco, Calif., pp. 296-309.

- Hjorth, D. 2007. 'Lessons from Iago: Narrating the event of Entrepreneurship', *Journal of Business Venturing*, Vol.22, pp.712-732.
- Kimberley, J. R. 1979. 'Issues in the Creation of Organizations: Initiation, Innovation and Institutionalization', *Academic Management Journal*, Vol. 2, pp.437-457.
- Larty, J. and Hamilton, E. 2011. 'Structural approaches to narrative analysis in entrepreneurship research: Exemplars from two researchers', *International Small Business Journal*, Vol. 29, No.3, pp. 220-237.
- Lippitt, G. L. and Schmidt, W. H. 1967. 'Crisis in a Developing Organization', *Harvard Business Review*, Vol. 45, pp. 102-112.
- Lyden, F. J. 1975. 'Using Parsons' Functional Analysis in the Study of Public Organizations', *Administrative Science Quarterly*, Vol. 20, pp.59 – 70.
- Miller R. L. 2000, *Researching Life Stories and Family Histories*, SAGE Publications, London.
- Mintzberg H. 1994, *The Rise and Fall of Strategic Planning*, The Free Press, New York.
- Quinn, R. E. And Cameron, K. 1983. 'Organizational Life Cycles and Shifting Criteria of Effectiveness: Some Preliminary Evidence', *Management Science*, Vol.29, No.1, pp. 33-51.
- Riessman C. K. 2003, in Holstein J. A., and Gubrium J. F. (Eds) (2003) *Inside Interviewing: New Lenses, New Concerns*, SAGE Publications, California.
- Rosenthal, G. 2004, in Seale C., Gobo G., Gubrium J F., and Silverman D., (eds), (2004) *Qualitative Research Practice*, SAGE Publications, London.
- Sharma, P., Chrisman, J. J., and Chua, J. H. 1997. 'Strategic Management of the Family Business: Past Research and Future Challenges', *Family Business Review*, Vol. 10, No. 1, pp. 1 – 35.
- Squire C. 2008, in Andrews M., Squire C., and Tamboukou M. (Eds) (2008) *Doing Narrative Research*, SAGE Publications, London.
- Torbert, W. R. 1974. 'Pre-Bureaucratic and Post-Bureaucratic Stages of Organizational Development', *Interpersonal Development*, Vol.5, pp. 1-25.
- Ward, J. L. 1988. 'The Special role of Strategic Planning for Family Businesses', *Family Business Review*, Vol. 1 No. 2, pp.190 – 195.
- Whittington, R. And Cailluet, L. 2008. '*The Crafts of Strategy*', Long Range Planning, Vol.41, pp. 241-247.