

## CONFERENCE PAPER

### THE ROLE OF FAMILY SOCIAL, HUMAN AND FINANCIAL CAPITAL IN FAMILY BUSINESS SUSTAINABILITY – A MALAYSIAN CASE STUDY

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#### **ABSTRACT**

**Purpose** – This paper aims to explore the nature of family capital in the form of family social, human and financial capital in the family business. It looks at the contribution of these three forms of family capital as inputs into the business over the stages of the business life-cycle and how they operate to build and sustain the business in that time.

**Design/methodology/approach** – A family business was selected as a Malaysian case study and qualitative interviewing was conducted with the present second-generation founder-owner to obtain information on the business history of the family firm.

**Findings** – The study revealed that family social and human capital contributed strongly to making available stocks of family financial capital to the business at the early stages of its business when it needed to be viable and continued to do so, in sustaining it in the growth stages.

**Originality/value** – This is the first known case study research conducted on an Indian Muslim family business in Malaysia with the potential to add to the research on ethnicity and family business as well as permit deeper insights to be gained into how family social, human and financial capital interrelate with each other in supporting and sustaining the family business over the stages of its life-cycle.

**Keywords** Family capital, Family business, Sustainability

**Paper type** Case Study

#### **INTRODUCTION**

In family businesses, there is growing recognition that financial performance is not necessarily the sole or accurate indicator of firm success. The Sustainable Family Business Research Theory (SFBT) developed by Stafford, Duncan, Danes and Winter (1999) shows for example, that family firms' achievements can be perceived objectively in terms of business profits, survival and growth as well subjectively, in terms of personal satisfaction or family independence and security (Tagiuri and Davis, 1992). In SFBT, the authors point to 'functional families' (p.197) as a key input to family business success.

Similarly, long-term orientations and with it, the need to manage the transition of the family business to the next generation are key characteristics of the family business (Lumpkin and Brigham, 2011; Chua, Chrisman and Sharma, 1999). This in turn, influences the nature of its goals that are likely to take into consideration, the intentions and desires of not just those of the family members presently in control of the business but also those of the next generation of family members who will take over the business (Chrisman et al., 2010).

Thus, the overlapping of family and business systems in family firms as suggested in SFBT, implies that it is not just the management of the family business but also, the management of the business family, that are critical for success and sustainability. This has led much of the research in family business to look into the multidimensionality of family firm success. One such dimension relates to the family capital of family businesses, which forms the research focus of this paper.

## **THE FAMILY CAPITAL OF FAMILY BUSINESS**

Family business have stocks of capital that consist of social, human and financial capital that are at the disposal of the family and which contribute to the family firm's performance (Danes, Lee, Stafford and Heck, 2008; Danes, Stafford, Haynes and Amarapurkar, 2009; Sorenson and Bierman, 2009). In the Sustainable Family Business Theory (SFBT) and extensions of the theory (SFBT II) put forward by Danes, et al (2008), the family's social, human and financial capital are resources arising from within the family itself that become inputs into the family and its business structures, processes and transactions to achieve the short-term (viability) and long-term (sustainability) goals of the family business.

### **Family Social Capital**

As Danes, et al., (2009) point out, family social capital is made up of the goodwill that exists among the family members and between the families and their community members that are encapsulated in inter-personal relationships. They further state, that social capital is embedded in relationships in contrast to human capital which is within the individuals themselves. In both the family and its business, social capital can take the form of trust, mutual respect, love, selfless concern and reciprocal exchanges within family members and with their staff (Brewton et al., 2010)

Of the three types of capital, family social capital may give the family business a competitive edge over non-family business in that it is embedded within family relationships which are unique to the family and which cannot be transferred or replicated elsewhere (Sorenson and Bierman, 2009; Barney, 1991; Derickx & Cool, 1989). SFBT recognises that family social capital can be both a resource and a constraint (Danes, et al 2008). Harmonious and co-operative relations among family members are a positive resource whereas the existence of conflicts or the lack of trust can undermine relationships and act as a constraint (Sorenson and Bierman, 2009). As Olsen (2003) points out, the nature of interpersonal relationships among family members are a contributory factor to high or low rates of generational family business succession. On the other hand, she notes that in times of economic downturns, family businesses have the propensity to survive not so much due to their business performance as it is because of the family.

Danes, et al., (2009) point to research studies that have shown how social capital and social networks have contributed to firm success, in areas such as in tapping business opportunities, gaining access to finance, generating customer and worker loyalty and in aiding the development of human capital in subsequent generations. Sorenson and Bierman (2009) point to research showing that family social capital can provide family support that helps family entrepreneurs to embark on venture start-ups. Sorenson, et al., (2009) reveal a significant positive correlation between family social capital and firm performance. In their research, a husband-and-wife team who run a

successful bed-and-breakfast business made concerted and consistent efforts at building positive relationships with their customers and the community, to good effect. Furthermore, the co-operative relationships within the family itself enabled them to have extra help during peak periods in the business.

Research studies show that social capital can precede both human and financial capital in that positive family social capital can be instrumental to obtaining the human capital of family members to help out in the business (Chang et al., 2009; Rodriguez et al., 2009) and also attract family financial capital in the form of personal loans, financial gifts and other financial resources in developing and sustaining the family business (Sorenson and Bierman, 2009).

### **Family human capital**

Family human capital resides in the stocks of knowledge, experience, capabilities and energy in the individual family members as well as their attitudes and values. (Sorenson and Bierman, 2009). As Brewton et al., (2010) point out, human capital is determined by the genetic make-up of the individual but this can also be further supported by investments over time. It is a feature unique to family human capital that family members may be willing to work without pay (Danes, et al., 2009).

The availability of human capital can also come from family members who are not working in the family business if there is positive family social capital, such as in looking after the family members (Sorenson and Bierman, 2009). Brewton et al., (2010) show for example, that the trust that exists among family members can be transferred to their business context regardless of whether that family member is working in the business or not. This implies that family human capital is a resource that is flexible enough in being put to use in either the family or the business dimensions of the family firm and which as a result, can improve the quality of life of family members (Rothausen, 2009; Stafford and Tews, 2009).

### **Family financial capital**

Family financial capital refers to monetary and physical assets owned by individual family members or as a pooled resource of the founder-owner-entrepreneur and the immediate or extended family, as well as external funds (Danes, et al., 2009).

For some minority and immigrant family business start-ups, obtaining external funding may be problematic (Rodriguez, et al., 2009; Steier, 2009) and there is often the need to resort to the social and human capital of family members and friend to further support the new business (Harris, 2009). Fratoe (1986) show that some ethnic cultures obtain family money for business start-ups that are given out of group obligation rather than for investment purposes. Danes, et al., (2008) show that new immigrants to the US are part of very small social networks which means that they have to rely on funds from family and friends for their businesses instead of loans from the financial institutions.

As Bates (1985) points out, financial capital cannot by itself, ensure firm sustainability and that it needs to be matched with high levels of human and social capital inputs for this to be achieved.

## RESEARCH PROPOSITION

In this paper, the combination of family social, human and financial capital is considered in a Malaysian family business, in order to assess the manner in which they came together and how they contributed to its business viability and sustainability as it progressed through its business life-cycle from initial start-up to its present day growth and development. It proposes that family social and human capital are likely to precede family financial capital in the sense that that financial capital is created out of the strength of the stocks of the family's social and human capital. Further, that as stocks of the family's social and human capital are nurtured, it consequently, can lead to greater opportunities to increase the family's financial capital through goodwill, reputation and quality.

## RESEARCH METHODS

This research was conducted as a single case study on a Malaysian family business that operated its own chain of food and beverage restaurants in what is known in Malaysia as 'Nasi Kandar' food.

### The case study research method

*'Case study is the study of the particularity and complexity of a single case, coming to understand its activity within important circumstances.'*

(Stake, 1995, p.xi)

Stake continues to add that the central focus of the case study is 'particularisation' and not generalisation (p.8) and consequently, that the main reason for using the case study as a research method, is to understand the case itself as opposed to producing generalisations.

For a case to be considered 'a case', Stake (1995) points out that must be a 'bounded system'. As a system, a case is investigated as an object per se, is purposive and comprises an integration of parts even if its purposes seem irrational or its parts operate disjointedly. Similarly, Yin, (1994), defines a case study as 'an empirical inquiry that: investigates a contemporary phenomenon within its real-life context...' (Yin, 1994, p.13). Miles and Huberman, (1994, p.25), in describing the case as a unit of analysis within a 'bounded context', consider it as having a focus or ' "heart" of the study' with a fuzzy boundary that draws an edge to what will be and not be, studied.

The purpose and rationale of the case study is as Remenyi et al. (1998) state, that sometimes a full picture of the social interaction of variables or events can only be gleaned from a careful scrutiny of a practical, real-life instance. Case study in research, as Remenyi et al. (1998) suggest, has two distinct features:

1. As an 'evidence-collection device' in establishing valid and reliable evidence to be analysed positivistically or phenomenologically.
2. As a vehicle for creating a story or 'narrative description' of the situation being studied such that the resulting narrative stands as a research finding in its own right and gains merit as having added something of value to the body of knowledge.

(Remenyi et al. 1998, p.165).

Yin (1994), provides a number of reasons when the single-case study is an appropriate research tactic, such as when:

1. The single case is a 'critical case' for testing a theory in which there is a definite set of propositions that are believed to occur within specific circumstances. The single case may then have all the conditions existing, for testing that theory by confirming, disconfirming or extending it. This, according to Yin, can be the single case's important contribution to knowledge and theory-building.
2. The single case may be an 'extreme' or 'unique' case, such as in clinical psychology.
3. The single case is a 'revelatory' case, in which the researcher is presented with an opportunity to observe and analyse a phenomenon that did not previously avail itself to scientific inquiry.

(Yin, 1994, pp.38–40)

### **Biographical and narrative-based research methods**

The information obtained for this case study research was derived from the biographical and narrative-based methods of data collection.

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).

The narrative text (or storytelling), as amounting to an understanding of observed phenomena, is defended by Ellis and Brochner (2000) who assert that:

*'A text that functions as an agent of self-discovery or self-creation, for the author as well as for those who read and engage the text, is only threatening under a narrow definition of social inquiry, one that eschews a social science with a moral center and a heart... We need to question our assumptions, the metarules that govern the institutional workings of social science – arguments over feelings, theories over stories, abstractions over concrete events, sophisticated jargon over accessible prose.'* (Ellis & Brochner, 2000, pp.746-747)

Silverman, (2000), provides two approaches to the methodology of narratives, via open-ended interviews, as follows:

1. A widespread approach is to view them as descriptions of a reality external to the interviewees, such as facts or events, or an internal experience, such as feelings and meanings. This attempts to gauge the impact of objective forces upon subjective dispositions.
2. An alternative approach views narratives as 'culturally rich' and 'plausible accounts of the world' so that the attempt is to share the subjects' perspectives of how they perceive their world. This is centrally concerned with seeing people's responses as 'cultural stories'

(Silverman, 2000, pp.122–124)

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.

## **THE MALAYSIAN CASE STUDY**

### **The KNK family business**

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 food-stall 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) is a thriving business with two restaurants, seven branches, two franchises and continues to attract propositions for local and international business alliances.

An overview of how the business developed and grew over a period of more than forty years, is outlined here:

- 1968 The business takes the form of preparing and selling three types of noodle-based dishes (mee goreng and mee rebus) and a local Malaysian salad (rojak), atop a three wheeled motorbike.
- 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 (roti canai) with a curry accompaniment.
- 1974 - 2003 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.
- 2003 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.
- 2011/12 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.

The role of social, human and financial capital in sustaining the KNK family firm during this period can be shown by assessing how and in what manner these three forms of capital contributed to the initiation and growth of the family business as it progressed through the stages of its organisational life-cycle.

There are a variety of frameworks available for organisational life-cycle analysis. For a comprehensive classification of these, see for example, Cameron and Quinn's (1983) typology in this area. Any of the frameworks presented by Cameron and Quinn is appropriate for use in this paper as organisational life-cycle per se is not the focus of the analysis here but rather, the role and contribution of social, human and financial capital in a family firm as it grew and developed over its life-cycle with implications for its sustainability throughout that period. This paper selects Adizes' (2004) model of organisational life-cycle for that purpose.

In Adizes' model of the organisational lifecycle, there is a nine stage lifecycle that he describes as Courtship/Infancy/Go-Go/Adolescence/Prime/Stable Aristocracy/Early/Bureaucracy/Death. An overview of the stages in KNK's life-cycle from the time of its inception to date, is shown in Table 1.

**Table1: KNK business developmental phases over its organisational lifecycle**

<b>Lifecycle Stage (Adizes, 2004)</b>	<b>KNK Business Development Phase</b>
Courtship	1968 – 1972
Infancy	1972 – 1974
Go-Go and Prime	1974 - Present

## **1. 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.

### **Social, human and financial capital at KNK's courtship stage**

Survivability of the family business was critical at this stage in the KNK family business. Social and human capital preceded financial capital at this stage of venture start-up.

#### *Social capital*

Financing of the new venture was therefore only made possible due to the social capital input that came from the close relationships among the family members as a unit. The financial capital that was necessary for creating the business was from the founder-owner's own personal savings and access to family money. External funding would have been difficult to obtain due to lack of the availability of assets for collateral and a yet-to-be proven business track record. It would also have imposed greater pressures on the demands made at this 'birth' stage of the business.

The availability of labour was also made possible from social capital as all family members including children like BM, worked in the business during their free times, for long hours and for little or no pay.



### *Human capital*

To sustain the business at this fledgling stage required the vision and strong emotional commitment of the owner-founder to create the new venture. This is more so, in view of BM's father's lack of education, qualification and immigrant status. They were also poor and upward economic mobility in their new country of choice would have been a pre-eminent goal of the founder. This human capital in the founder's drive and firm commitment in his role as sole breadwinner and provider of his family's needs and the 'dream' to improve their living standards in a new country where they were considered an ethnic minority, would have given the new venture a firm even, an unshakeable grounding to aim and hope for sustainability beyond survivability.

The family's skills were limited and related to doing only what they perceived they could do well. Everyone worked at what they could meaningfully do for the business even if it was washing the plates as the six year old BM did at that time. With the benefit of forty years of hindsight, they were able to satisfy customer needs and preferences with their culinary skills and with a four-generation customer base now (discussed below), they were able to keep their customers. The family's personal skills in cooking and in relating to their customers formed the critical human capital that the business needed at this stage.

### *Financial capital*

The financial capital that helped to start and keep the business as an on-going entity was made possible by the social and human capital inherent in the family. It was the social capital in the family that made it possible to bring about the initial finances required for starting the business in the form of personal savings and access to family funds. The human capital in the family's personal skills and labour helped as well to save on financial expenses such as in lowly paid or unpaid labour from family members. The human capital in the founder's personal, innate ability as an entrepreneur further helped the fragile new business to be feasible and financially viable. Most of all, the human capital in the founder's firm commitment to provide for his family's needs and improve their lives ensured its move to the next stage of the family firm's business life-cycle .

At this initial stage of the KNK family business, social capital generated the seed capital for financing the start-up stage of the business. Human capital in the family members' skills and capabilities was added to this, in operationalizing the business as a viable entity.

## **2. 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. He 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 notes 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 food-stall. 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. They had no television at home and he with the other children, would go to a neighbour's house to watch television (and he compares it to the present time when his son is requesting a television for every room in the house).

In Quinn and Cameron's (1983) summary, 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).

### **Social, human and financial capital at KNK's infancy stage**

Survivability continues to be a concern at this infant stage of the business. The emerging business is showing promise and potential that can provide it with a firmer basis for growth and success but this has to continue to be worked at and earned.

#### *Social capital*

The close knit family unit generated the emotional and psychological support that would enable them to face challenges, solve problems and pull through. This would operate to undergird their resilience as a family and consequently, help to ensure the durability of the business venture. It would also enable and support the need to make personal sacrifices in order to meet the demands and expectations imposed by the daily operations in running the business.

The family relationships also cemented family unity for the sake of the business. For example, the uncle would stand in for the owner-founder during his return trips to India as necessitated by

immigration regulations, in order to ensure that the business continued smoothly in times of potential disruption.

The strong family relationships also led to everyone making their contributions to the business, not just the uncle as mentioned above, but also the other few relatives who helped out from time to time and also the children, like BM himself. The business was now a food-stall, a wider product range was being offered, more customers were now being served and production operations required more staff. Personal needs were sacrificed for the sake of the business, the rewards (including owning a television) were still not quite as desired but everyone in the family was involved.

#### *Human capital*

This was still concentrated in the family members' pool of resources. No one outside the family was being employed, as it was not yet an affordable expense. The skills and capabilities were still derived from the family members themselves. This had the advantage of allowing the family business to build close personal relationships with their customers as well as build up their personal stock of business know-how and experience through their own learning and growth in managing the business from day to day. For example, BM only has schooling until the first year of secondary school but attributes all his business acumen to his learning on the job from a young age and from all that he was taught by his father while working alongside him.

The family business continues to tap their personal resource capabilities in staying close to what they know, are good at and which they are able to deliver, in the form of good Indian-Muslim food and within a product range that they can fulfil as a relatively small work team and to customer expectations.

The founder-owner's own entrepreneurial abilities continue to move the business on. He is a one-man bundle of all the capabilities needed in producing, managing, marketing and financing his family business.

#### *Financial capital*

The family continues look to their own financing for the business. Even when the business is doing well later (discussed below), there is little preference to resort to external funding to avoid the controls and imposed demands that come with it. This is made possible from the social and human capital derived from the business as a family business. The social capital in family relationships and the human capital in the family members' skills and efforts continue to provide the unity and direction, the labour, the increased productivity, the needed quality and all at low costs. Furthermore, self-financing is also made possible as a result.

At this vital infancy stage of the family business, social capital and human capital in the family helped to nurture the young business without the need to resort to external funding while keeping costs down through savings and increased productivity that it could enjoy more so, because it was 'family'.

### **3. The Go-Go and Prime Stages**

Adizes states that this is a period of healthy cashflow, repeat purchase behaviour from brand loyal customers and stable production activities. As he 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.

The business at the first part of this stage involved family members, some relatives and staff that made up a team of about five to seven people. The food offerings extended to a full 'nasi kandar' menu (Indian rice/bread with a variety of meat and vegetable accompaniments, topped with specialty Indian curry gravy). The business gradually expanded its allotted space in the restaurant in response to a growing demand and customer base.

By the year 2000, the family business reaches its Prime stage with the purchase of its own premises that it converts into a full-fledged restaurant. 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. The staff grows to fifty members. The menu is very extensive – there are three main 'signature' dishes, fourteen side order items, twelve varieties of Indian bread, five types of curries, six varieties of Malaysian dishes and a wide range of hot and cold beverages.

The business also attracts 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 and presently, the business has two franchised outlets and seven branches in East and West Malaysia.

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.

#### **Social, human and financial capital at KNK's 'Go-Go' and Prime stages**

The family business is now established in its own right. Survivability is well past and its concerns are now more about sustainability, with promising and evident signs of this so far. Does the blend of social and human capital in the family unit that more or less preceded financial capital in the earlier stages of its life-cycle continue to do so at this stage?

##### *Social capital*

The original owner-founder has since passed on and BM is presently the Managing Director of the business with his wife, daughter and son as the sole shareholders. Only BM is active in the business.

The family relationship at this point does not need to support the day-to-day operations of the business as it used to in the earlier stages. This is now performed by paid staff who are non-family

members except for a very few relatives and the utilisation of capital assets in the form of equipment.

The strong family relationship however continues to play an important role as a financial resource. This can be seen when BM had to make the pivotal decision to purchase the premises that now houses the first restaurant. The purchase price was at that time, considered to be high for the property and which he describes as being told he would be paying 'the price of a goldmine for a diamond mine'. Nevertheless, BM put all that he had financially, in his own words, 'my own money, my wife's money and the children's money' into buying it. As in the early days of the business, so too at this stage, he did not take a bank loan to finance the purchase in order to avoid the controls and charges that came with it. Property prices have since escalated in that location and as BM puts it, it now houses his 'landmark' restaurant.

There are also opportunities to put up the family business for a public listing and with it the potential for further capital and expansion. However, BM is adamant in keeping it within the family as a family business. He is not prepared to sacrifice family control in the business for any price at the moment.

However, social relationships have played a key part in his decisions in joint-ventures and franchising of his family business. These business alliances have been solely motivated by friendships and to some extent, on a reciprocal basis, with friends who have helped him sometimes financially, at critical moments in the KNK business or with loyal employees.

Up to now, social capital in the form of close relationships with his 'four-generation' customer base continues to be a priority to BM and he maintains a strong and regular presence in all his business outlets to talk to and listen attentively to his customers.

Social capital in the form of father-son relationship continues into the third generation with BM intending to groom his son as the successor to the business just as his father did with him.

#### *Human capital*

BM is in sole control of the family business. He has displayed his father's entrepreneurial capabilities and has taken the business to a new and higher level. He has taken risks and has come through them. He attributes this to his God-given talents. In his own words, he views himself as being on 'auto-pilot' in running the business now. As Managing Director and at the helm of the business, he continues to steer and direct the business as he sees fit.

All other members of staff are mostly recruited and paid non-family members. They provide the major input into the human capital in terms of business operations. Close and loyal staff members are placed in senior and supervisory positions. By now, many of the production and administrative processes are mechanised.

### *Financial capital*

As mentioned above, there remains a family tradition in the business to keep external funding at bay as much as is feasible. Internal funding from family and business finances are the main sources relied on for business operations and expansion. BM himself states that he is adverse to interest charges and external forms of control. Social capital in the form of keeping the business within the family prevails over the potentially vast financial capital that can come from a public listing of his family business. Similarly, he prefers to give free rein to his entrepreneurial and managerial capabilities that have stood him and the business in good stead, rather than be constrained by having to be minutely accountable to numerous other stakeholders if his business becomes a public entity. The KNK family business continues largely, to be self-financing.

### **DISCUSSION**

This paper looked at the inter-play between family social, human and financial capital in a family business in the course of over forty years of its life-cycle from venture start-up to what is being now described by its current, second generation owner-founder as its 'golden years'. This description is not without basis as it is feasible for the business to be publicly listed and Mr. BM to retire from it should he so desire. The family's KNK business throughout this time therefore, provided an ideal case-study for assessing the family capital of the family business and how and in what manner, it contributed to its business viability and sustainability.

It seems clear, particularly at the start of the business, that the family's social and human capital supported the venture in its crucially important 'birth' and 'infancy' stages and helped to make it through survivability. The family social and human capital were embodied and expressed through the close and cooperative relationships among the immediate and the extended family members. They pooled their financial resources, applied their skills and capabilities to the enterprise and provided the emotional and psychological support needed to help them pull through the frugal and hard-at-work years. It is also reasonable to imply that as immigrant Indian-Muslims in a new country, there would have been a strong desire for improving their economic and social status and that they perceived it could be done through business ownership (Danes, et al., 2008). This would have provided further impetus to garnering and consolidating the family's social and human capital in supporting the business venture in the face of the lack of financial capital available to it at that time. Pivotal to the business at its inception and early years, would be the family's social capital in the first founder-owner's vision, belief, values and firm commitment to make his dream a reality for his family.

The social capital in the father-son relationship that bonded them provided the fertile ground for teaching and mentoring Mr. BM to build the human capital that he required to take over as successor to the business. This would have helped to ensure successful business continuity in the family to the present time. Social and human capital that had been built up over time between family members and with relatives and staff further augmented the continuity of those stocks of social and human capital in the growing business and enable it to expand via joint-ventures, branches and franchises.

Having four-generations of customers would have required strong social capital to be built with customers and by implication, with staff. Mr. BM continues to personally build up stocks of social capital by being visibly present and accessible to his customers and by listening closely to them. He is personally and directly involved in recruiting staff to maintain brand image and quality. These efforts become further inputs into the family business' stocks of social and human capital and eventually, to its financial capital through business revenue and profits. The family's social, human and financial capital are constantly being managed for appropriate alignment.

The business is now well into the sustainability track. The senior owner-founder's human capital is now replaced with his son's human capital that has brought the family business to the next and higher level of business success. Strong family social capital is maintained as Mr. BM insists on working to keep the business within the family. Whether Mr. BM will augment the family human capital with professional management and therefore, involve non-family members as managers, to take it to the next level of business growth and expansion, remains to be seen. At the present moment, this seems unlikely as he is not in favour of relinquishing control.

A central theme throughout the KNK family business appears to be the strong evidence and application of the family social and human capital in the business over and above that of financial capital. At its beginning as it is now, financial capital in the business is mostly generated internally within the family and external funding with its imposed costs and controls are strongly resisted. The family's strong social and human capital in the first two generations of owner-founders have enabled them to achieve the creation of financial capital at times when it was needed as well as the growth and re-generation of that financial capital in the business. Thus, social and human capital can create financial capital and nurturing further stocks of that social and human capital can lead to further creation of financial capital derived from goodwill, reputation and quality.

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