Future Studies of Tacit Knowledge Innovation in Exploring Generational Change and Enterprise Development in Family Business

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Malaysia Truly Asia With Diversified Cultures
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Future 2017
Multi Racial Harmonic Relationship in Malaysia

(Malay) + Chine(s)e + Ind(ian) = Malaysian =)

What are the Key Themes in my research topic?

Generational change - Exhibits different managerial style and decision-making from one generation to next in family enterprise.

Tacit knowledge - Informal knowledge refers to personal experience during founder generation. Ability to transform tacit to codified knowledge in the next generation by focusing on 3Ms.

Enterprise development - relates to capacity to develop new products through R&D & 3Ms.
Swedish Family Business, IKEA Furniture, Kamprad

USA Family Business, Campbell Soup, Dorrance
Indian Family Business, Tata Group, Jamsetji Tata

Japanese Family Business, Kikkoman, Yuzaburo Mogi
Research Questions

Research Question (1)
• How have family SMEs that have undergone one or more generational shifts retained a prominent presence in their respective industries?

Research Question (2)
• Was the conversion of tacit knowledge to a codified form, through R&D, a crucial factor that sustained the firm across two or more generations?

Research Question (3)
• Was the deployment of the 3Ms a core factor for internal expansion of the firm?
How conceptual framework links to this study?

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Adapted from Hadjimanolis, 2000; Hurley and Hult, 1998.

Large-Medium-Small Scale Family Enterprises

- **Public listed companies** based in Malaysia and Singapore and usually joint forces with foreign enterprise to expand tacit knowledge into core products.

SMEs classified into large, medium, & small based on assets, annual sales & number of employees

- **Medium scale enterprises** were established branches and outlets in local and overseas to utilize tacit knowledge into export based OEM products.

- **Small scale enterprise** remain small and focus solely on local and private labeling to protect tacit knowledge into customer experience based products.
Case Studies of Future Studies on Tacit Knowledge Innovation

Eu Yan Sang - Turning Tacit Knowledge into Chinese Traditional Medication

King’s Confectionery – Transforming Tacit Knowledge into Innovative Halal Based Bakeries

LH Plus Design – Nurturing Tacit Knowledge into Creative Designable LH Housewares

First-Second-Third Generation Family Enterprises

First Generation Family Enterprises
- First generation usually managed under founder’s leadership based on founder’s personal experience and background. Protects tacit knowledge; usually single product (Marketing), old machine production (Manufacturing), and simple organization structure (Management).

Second Generation Family Enterprises
- Second generation managed based on sibling partnership. Growth depends on next generation’s level of education & exposure. Codifies tacit knowledge through different products (Marketing); automates new technology production (Manufacturing); & good administrative coordination (Management).

Third Generation Family Enterprises
- Third generation managed by cousin consortium. Starts joint ventures to include foreign technology & acquire knowledge. Expands a) tacit knowledge into branded products (Marketing); b) technology sharing production (Manufacturing); & c) professionalized management (Management).
Conclusions

Generational Change (1st, 2nd & 3rd)

- From First to Second Generation: More consultative & promotes enterprise transformation.
- From First to Third Generation: More consensual & highlights tradition of excellence.
- Plastic production SMEs: mostly builds on reputation to compete in marketplace.

Innovation Capacity (From Tacit to Codified)

- From tacit to codified in plastic production: New technology & targets high-end economy & design culture in plastic engineering to avoid low-end involvement.
- Plastic production SMEs codify tacit knowledge to enhance innovation.

Enterprise Development (From Small, Medium and Large Enterprise)

- Large Scale Enterprise: Strong focus on 3Ms & improves innovation capacity to keep pace with public policies & shifting EOI. Promotes joint ventures.
- Medium Scale Enterprise: Frequently focuses on 3Ms & improves innovation capacity to enhance global supply chain & shifting EOI. Changes from domestic market family enterprise to export trading enterprises.
- Small Scale Enterprise: Low focus on 3Ms, but improves innovation capacity to strictly follow small local customer requirement & shifting EOI. Changes from family enterprises to private labeling enterprises.

Tacit Knowledge Innovation Milestone

Stage I: Generational Change
Different generations exhibit different managerial styles and behaviour.

Stage II: Strategy Implementation
Develops strategy based on founder’s experience or successor’s knowledge.

Stage III: Knowledge Transformation
Transforms tacit knowledge to codified knowledge; always a challenge.

Stage IV: Innovation Management
Innovation - New products, new markets, new source of supply, new production method & new product forms.

Stage V: Organization Change & Development
Top down commitment, skills, perceived usefulness of innovation and involvement.

Stage VI: Early Development
Conflicts might occur when transfer of generational change influences innovation capacity development.

Stage VII: Mature Development
Slowly gets acceptance to make better products, more skillful & more efficient in the value chain.

Process of Generational Change

Transfer of Enterprise Development
Thank You for Listening
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