

Assessing ethnic business sustainability in transgenerational succession

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sustainability

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Abstract

Purpose – This paper aims to examine the impact of changes in human capital development and evolution of tacit knowledge following transgenerational succession in ethnic companies. The paper contributes to the understanding of transferring tacit knowledge across generations in ensuring ethnic business sustainability.

Design/methodology/approach – In answering the how question, this paper tracked the changes and their impact in the process over time, using the multiple-case study method. A total of six interviews were conducted with three Indian-owned companies in the jewellery industry in Malaysia, with each interview lasting between 45 and 60 min. Secondary data were collected to supplement the primary data for analysis. Data triangulation method was applied to strengthen the design of this study.

Findings – The results indicate that changes in human capital development and tacit knowledge have enabled ethnically Indian-owned jewellery-based companies to alter their products to respond to demands of modern society whilst sustaining and commodifying the ethnic identity of their businesses. The findings also highlight that proper succession planning by ageing entrepreneurs may promote sustainability of these ethnic enterprises.

Originality/value – Despite the growing attention on ethnic and migrant entrepreneurship, less is known about the impact of the changes through transgenerational succession over time in ethnic businesses, especially when such changes involve human capital as the key players. This study is important in addressing the gap, in identifying human capital development and tacit knowledge among the critical ethnic resources contributing to ethnic business sustainability. Using a conceptual framework, this paper sheds some light on how ethnic businesses are sustained through transgenerational succession.

Keywords Human capital development, Tacit knowledge, Transgenerational succession, Ethnic business, Business sustainability

Paper type Research paper

Introduction

Transgenerational firm refers to an enterprise where key decision-making is made by a group of individuals habituated by their shared history and experience in a common set of foundational events (Westhead, 2003). Such enterprise is prevalent in family-owned and managed small and medium enterprises (SMEs), as well as ethnic businesses (Schulze and Gedajlovic, 2010; La Porta *et al.*, 1999). In the context of transgenerational family enterprises, Glisby and Holden (2003) argue that the predecessors customarily lead their successors paternalistically through a hierarchical family structure. On the one hand, predecessors generally give orders to successors and expect absolute obedience from the successors. On the other hand, successors would prefer leadership style that gives them flexibility and autonomy to encourage the culture of innovation and creativity (Weatherley, 2002), which is pertinent in the growth, development and sustainability of SMEs.

Several studies suggest viewing succession as an opportunity for firms to grow in a rapidly changing environment (Cabrera-Suarez *et al.*, 2001; Dyck *et al.*, 2002; Werner *et al.*, 2019). In Malaysia, succession is a prevalent topic (Ghee *et al.*, 2015) as 80% of businesses in



Malaysia have the next-generation entrepreneurs in their businesses (PwC, 2018). Studies have also shown that the succession process usually fails due to the difficulty in choosing the successor during succession planning (De Massis *et al.*, 2008, 2016; Breton-Miller *et al.*, 2004). With the failure in proper succession planning by the predecessors comes the failure to appropriately transfer tacit knowledge to the successors (Sambrook, 2005).

Existing research on ethnic businesses mostly focuses on the antecedent and outcome, overlooking the important element of changes in the process of transgenerational succession (Indarti *et al.*, 2020). To date, research is scant on the relationship between ethnic resources and business growth amongst transgenerational ethnic businesses, even though the concept of ethnic resources has emerged in the 1980s (Waldinger *et al.*, 1985). Passing through generations, especially from the migrant generation to the second and/or third generation, changes in education and experience occurred would have a bearing on how these firms employ their ethnic resources (Rahman *et al.*, 2018). The relationship between the evolution of ethnic entrepreneurship and the use of these ethnic resources towards business growth and sustainability has not been studied much. This study considers the question: how changes in ethnic resources impact transgenerational ethnic business sustainability? Building on the resource-based view, our findings identified human capital and tacit knowledge among the critical ethnic resources contributing to ethnic business sustainability, as these ethnic resources go through changes during transgenerational process (Barney, 2001). Thus, we address a shortcoming in the literature: the relationship between human capital and tacit knowledge as ethnic resources and ethnic business sustainability in the transgenerational succession process.

The “how” questions are well suited to qualitative research, especially in the context of uncovering the relationship over time, involving human actors (Yin, 2015). To address our research question, we employ the phenomenological research method with three comparative case studies involving transgenerational ethnic businesses to provide in-depth insights (Finlay, 2008; Yin, 2009, 2011), where the phenomenon lies in the process of transgenerational succession. The jewellery industry in Malaysia provides a seamless research setting to address our research question, as this industry requires much tacit knowledge, and many of the firms in this industry are transgenerational ethnic businesses. Of the major players in the market, three ethnic Indian firms have agreed to participate in this study [1].

Ethnic Indians have had a long history of involvement in the Malaysian economy. Although this vibrant and diverse minority group constitutes only about 7% of the population in Malaysia (Department of Statistics, 2010), ethnic Indians in Malaysia have contributed enormously to the development of the country’s economy since the turn of the last century (Arasaratnam, 1970; Ampalavanar, 1972; Brown, 2016; Belle, 2014). While Indians have had a long history of involvement in the Malaysian economy (Arasaratnam, 1970), the number of entrepreneurs from this ethnic group who grew their businesses into large size corporations remain low. To date, only a handful of Indian figures are owners of the large-scale public-listed enterprises (Gomez, 2003). The meagre corporate presence of Indian-owned [2] enterprises is, in fact, a perplexing issue, despite the fact that members of this ethnic group have shown themselves in Malaysian history to be enterprising in a number of industries. Apart from plantations and money lending, historians have recorded their prominence in the textiles sector, jewellery production and distribution, along with food manufacturing, retailing and catering (Ampalavanar, 1972; Brown, 2016).

Sivalingam (1994) has shown that most Indian-owned firms in Malaysia prefer to operate and remain as SMEs. SMEs, a key component of the developing economies of Southeast Asia, are widely recognized as vital contributors to the creation of new products and technology. Moreover, in Malaysia, SMEs are entrepreneurial enterprises that have significantly

contributed to economic growth and modernization (Muhammad *et al.*, 2010). Thus, Malaysia is a suitable context in studying the topic of transgenerational firm sustainability.

Human capital development, ethnic business and transgenerational succession

The main issue surrounding human capital development, entrepreneurship and succession is how resource endowments influence the performance of a firm (Katz, 1974; Kotter, 1982; Szilagyi and Schweiger, 1984). This refers mainly to the education, experience and skills that are owned and utilized by the human capital in the development of a firm. This study will focus of two main areas of human capital development: education and experience.

Schultz (1961) and Becker (1964) argue that, one of the most common human capital investments to develop a firm is a formal education. In the same study, they also argue that firms may benefit from these formal educations as these individuals may assist in boosting productivity. In addition, a formal education can also enable entrepreneurs to make better decisions on production and costs (Welch, 1970; Benhabib and Spiegel, 2005), deal with economic volatilities (Schultz, 1975), as well as learn, adapt and utilize technological changes for positive growth (Nelson and Phelps, 1966; Benhabib and Spiegel, 2005). It also has been shown that a higher level of education allows entrepreneurs and managers to manage information whilst operating a firm (Fleming, 1970; Welch, 1970; Kralj *et al.*, 2009). A study done by Kim and Taylor (2008) has suggested that higher formal education shows improved determination, drive, motivation and commitment to business development. Interestingly, human capital theories have suggested that education fosters skills aimed at preparing individuals to manage and enhance business development (Szilagyi and Schweiger, 1984; Reuber and Fisher, 1999). In ethnic businesses, it is pertinent to understand if human capital development through transgenerational succession helps with ethnic business sustainability. This will be addressed in this study.

Company (date of incorporation)	Location of headquarters	Interview details	Number of generational changes	Migration of knowledge
Company A (7 June 1984)	Lebuh Ampang, Kuala Lumpur	Interviewee(s): Second- and third-generation entrepreneur Number of interview(s): Two (October 2013 for 60 min and January 2019 for 30 min)	2 (grandfather to son; son to grandson)	First generation: India Subsequent generations: Malaysia
Company B (6 October 1995)	Lebuh Ampang, Kuala Lumpur	Interviewee(s): Second-generation entrepreneur Number of interview(s): Two (October 2013 for 60 min and January 2019 for 45 min)	1 (father to son)	First generation: India Subsequent generation: Malaysia
Company C (23 June 1941)	Klang, Selangor	Interviewee(s): Second- and third-generation entrepreneur Number of interview(s): Two (October 2013 for 60 min and January 2019 for 15 min via phone)	2 (grandfather to children; children to grandchildren)	First generation: India Subsequent generations: Malaysia

Table 1.
Profile of the cases

Kim *et al.* (2006) inform that prior experience of the entrepreneur or manager is an important consideration in the management and growth of a firm. Soriano and Castrogiovanni (2012) define experience as specialization of the entrepreneur or manager in the same industry. Prior experience in a similar industry enables good decision-making with a better understanding of the market (Reuber and Fisher, 1999). Cohen and Levinthal (1990) suggest that experience enhances the ability to identify, assimilate and apply new information for the management of a firm. Experience also allows for entrepreneurs and managers to recognize, appraise and exploit business opportunities for growth and sustainability.

In the case of Malaysia, a study by Xavier and Gomez (2018) has shown that higher education and experience through generational change have provided successors of ethnic businesses the confidence needed to network, make better decision on opportunities and provide for better management of the firm as well as alteration of products to suit the needs and demands of customers. Still, some areas have gone unanswered.

Resources, and especially human capital, play an important role in the start-up, development and sustainability of SMEs. Hence, as generations pass, the information, knowledge and skills of the predecessors become a valuable asset for these ethnic resources and ethnic businesses. To further comprehend this imperative notion, a conceptual framework is built in this study. The progression of human capital development is captured and assessed through the changes in education and experience of the first and subsequent generation ethnic entrepreneurs, as seen in Table 2.

Tacit knowledge, ethnic business and transgenerational succession

Tacit knowledge is “an embedded series of folded thoughts and point of views in a human’s mind, which are gained over the time by experience, learning, sensing, analysing, witnessing and observing a process or series of processes within the physical world” (Saini, 2015). Knowledge transfer, particularly tacit knowledge transfer, is a complex art (Ackgun *et al.*, 2003; Ringberg and Reihlen, 2008). Tacit knowledge has also been identified as deep smarts (Faust, 2007), embedded knowledge (Lam, 2000), as well as practical intelligence (Hedlund *et al.*, 2002). It is also imperative to note that the intangible factors of tacit knowledge make the transfer process somewhat abstract for firms to copiously capture and verify (Pan and Scarbrough, 1999). Because tacit knowledge resides in individuals, it is difficult to articulate (Polanyi, 2009), especially when successors are not willing to learn or when there is a lack of standardized process (Anumba *et al.*, 2008).

One of the main challenges of jewellery businesses is transferring tacit knowledge across generations. Wei-wei (2014) encompassed managerial skills, technical skills and experiences, values, as well as capacity of entrepreneurs as tacit knowledge. This study intends to capture two types of tacit knowledge amongst ethnic Indian jewellery businesses in Malaysia. The first is the transfer of managerial tacit knowledge of day-to-day business operations, whilst the second will be the transfer of technical jewellery-making skills.

One of the main issues in succession is the ability of successors to acquire the knowledge and skills of the predecessors (Torres *et al.*, 2017). In addition, previous studies found that not all family members are willing to acquire knowledge or are willing to take over the business (Richards *et al.*, 2019). An imperative aspect of proper succession is the transfer of tacit knowledge between predecessors and successors. Therefore, it is essential to apprehend if tacit knowledge transfer has taken place between generations of evolving ethnic businesses and acknowledge if this transfer has assisted in the sustainability of SMEs, especially amongst ethnic businesses. Through a conceptual framework, this study explicates the importance of tacit knowledge for ethnic business sustainability. The changes in tacit

Company	Evolution in human capital development	Changes in tacit knowledge
Company A	<p><i>First-generation entrepreneur</i> Education: Completed secondary-level education in India Experience: Gained experience from his family in India</p> <p><i>Subsequent generation</i> Education: Second-generation completed diploma. Third generation completed masters Experience: Second and third generations were trained by the family</p>	<p><i>First-generation entrepreneur</i> Obtained skills and knowledge from his father and other family members in India</p> <p><i>Subsequent generation</i> Obtained skills and knowledge from first-generation entrepreneur in Malaysia. Also gained some skills and expertise from members of the community in Malaysia</p>
Company B	<p><i>First-generation entrepreneur</i> Education: Completed secondary-level education in India Experience: Had many years of experience in the gold and jewellery industries in India</p> <p><i>Subsequent generation</i> Education: Completed secondary-level education in Malaysia Experience: Second generation obtained skills and expertise from his father</p>	<p><i>First-generation entrepreneur</i> Obtained skills and knowledge from father and other family members in India</p> <p><i>Subsequent generation</i> Obtained skills and knowledge from first-generation entrepreneur in Malaysia. Also gained some skills and expertise from members of the community in Malaysia</p>
Company C	<p><i>First-generation entrepreneur</i> Education: Completed primary-level education in India Experience: Gained skills and experience from family in India</p> <p><i>Subsequent generation</i> Education: Most of the second generation completed their primary level education in Malaysia. Third-generation entrepreneurs completed tertiary education Experience: Second and third generation were trained by their fathers and uncles</p>	<p><i>First-generation entrepreneur</i> Obtained skills and knowledge from father and other family members in India</p> <p><i>Subsequent generation</i> Obtained skills and knowledge from first generation entrepreneur in Malaysia. Also gained some skills and expertise from members of the community in Malaysia</p>

Table 2.
Transgenerational
changes in human
capital development
and tacit knowledge

knowledge between is the first and subsequent generation ethnic entrepreneurs is assessed through the obtaining of skills and knowledge, as seen in [Table 2](#).

Ethnic resources and transgenerational succession

Ethnic entrepreneurship has been progressively acknowledged as an imperative medium for economic development and the regeneration of economies ([Assudani, 2009](#); [Dana et al., 2020](#)). Research on ethnicity and entrepreneurship can trace back to as early as the 1900s ([Volery, 2007](#)). Decades later, it is a consensus among the researchers that ethnic entrepreneurship is a process of value-creating business activities by a segment of society whose members share a common origin and cultural heritage, with the aim to secure economic prosperity ([Indarti et al., 2020](#)).

“Ethnic resources” is a concept used by [Light and Bonacich \(1988\)](#) to suggest that ethnic businesses could exploit their ethnicity in certain ways for the benefit of their enterprise. [Light and Bonacich \(1988\)](#) cite the fact that certain skills could be transmitted by co-ethnics; cheap labour could be exploited by hiring co-ethnics, especially from abroad; and ethnic communities could depend on ethnically based support networks and trade organizations to protect and develop their business base. [Light and Bonacich \(1988\)](#) further contend that

predecessors in these businesses were motivated by family values, religious beliefs and communal solidarity, factors that enabled them to nurture more competitive family-run enterprises compared to those in the mainstream economy.

Migrants, or predecessors of the business from a similar country and with a similar ethnic background, would normally possess a common culture, values and social norms, which usually help forge a greater understanding and trust, making it easier to establish and foster relationships with their co-ethnic stakeholders (Ramadani *et al.*, 2014). Support among the migrant generation is vital and easily gained because of trust, ease of communication, credit privileges and cultural compatibility (Tienda, 2001; Chand and Ghorbani, 2011). The resulting ethnic networks, in due time, support the economic cluster formations that reinforce cultural value systems (Portes and Zhou, 1992; Cederberg and Villares-Varela, 2019). However, these culture, values and social norms may not be shared in the same way among the descendants or successors of the migrant generations. Koning and Verver (2013), after investigating the importance of cultural values among ethnic entrepreneurs in Southeast Asia, emphasize that these values and norms seem to be plummeting in importance among the second and third generation of the migrant cohort.

A study by Xavier and Gomez (2018) provides empirical evidence that the second- and third-generation ethnic Indian businesses in Malaysia have resorted to commodify their ethnicity to develop their ethnic businesses, proving that ethnic resources through transgenerational succession do play a significant role in ethnic business sustainability. This is portrayed in the conceptual framework in this study. As seen in Table 3, changes in ethnic resources through transgenerational succession are captured and assessed through the evolution of business stakeholders between the first and subsequent generations of these ethnic businesses.

A framework on ethnic business sustainability and transgenerational succession

Past researchers have illuminated us with the understanding and importance of human capital development and tacit knowledge through ethnic resources for ethnic businesses. Nevertheless, less is known on how the evolution of these ethnic resources throughout transgenerational succession contributes to ethnic business sustainability. Therefore, a conceptual framework is built from the understanding of literature, which proposes to uncover the missing link between human capital, tacit knowledge and ethnic resources for ethnic business sustainability. This framework offers a better understanding and guidance for academics, researchers as well as entrepreneurs, specifically in the field of entrepreneurship (Figure 1).

Sustainability has been researched in various areas, such as the development of politics, economics and sociology. In fact, sustainability is one of the fundamental factors in satisfying human needs and wants (Yadav, 2014). In recent times, business sustainability has become a popular concept amongst policy makers, practitioners, as well as academics. Business sustainability necessitates progression in an organization's position and remains to be a key success factor in long-term business strategy (Kuusmanen and Kuusmanen, 2009). Business sustainability can mean different things to different individual and organizations (Zhang and Swanson, 2014). Some businesses have defined sustainability by revamping its entire business model (Smith and Sharicz, 2011), while others have defined business sustainability as a means of survival. White (2009) argues that sustainable business practices continue to present opportunities for business growth. Padin and Svensson (2013) apprise that sustainability should be dynamic, as opposed to static. For this study, ethnic business sustainability is measured by the transferences in products and services whilst maintaining

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Company	Changes in ethnic resources	Evolution in ethnic business sustainability
Company A	<p><i>First-generation entrepreneur</i> Suppliers, customers and competitors were Indians. Shareholders and employees were family members</p> <p><i>Subsequent generations</i> Suppliers now include Chinese. Customers now include Malays. Company competes with Malay, Chinese and Indian jewellers. Employees are family members and close co-ethnic friends. Shareholders are still family members</p>	<p><i>First-generation entrepreneur</i> Offered various types of gold jewellery. These products were handmade. Focused on Indian patterns, as demanded by customers</p> <p><i>Subsequent generations</i> Still offers various types of gold jewellery. Most products now sold are machine-made. Continues to focus on Indian patterns, as demanded by customers. Have also began developing some new products to suit non-Indian customers</p>
Company B	<p><i>First-generation entrepreneur</i> Suppliers, customers and competitors were Indians. Shareholders and employees were family members</p> <p><i>Subsequent generation</i> Suppliers are mainly Indians. Customers are mainly Indians, though they have customers of different ethnicities, locally and internationally. Few competitors in local market, primarily Indians. Employees are family members and co-ethnic friends. Shareholders are still family members</p>	<p><i>First-generation entrepreneur</i> Offered various types of gold jewellery. Products were handmade. Focused on Indian patterns, as demanded by customers</p> <p><i>Subsequent generation</i> Still offers various types of gold jewellery that are handmade. Produces specially designed religious jewellery and gold statues. Continues to focus on Indian patterns, as demanded by customers</p>
Company C	<p><i>First-generation entrepreneur</i> Suppliers, customers and competitors were Indians. Shareholders and employees were family members</p> <p><i>Subsequent generation</i> Suppliers are Chinese and Indians. Customers and competitors are from all ethnic groups. Employees are family members and close co-ethnic friends. Shareholders are still family members</p>	<p><i>First-generation entrepreneur</i> Offered various types of gold jewellery. Products were handmade. Focused on Indian patterns, as demanded by customers</p> <p><i>Subsequent generations</i> Offers various types of gold jewellery. Some are handmade, while others are machine-made. Continues to focus on Indian patterns, as demanded by customers</p>

Table 3.
Evolution of ethnic business sustainability through transgenerational succession

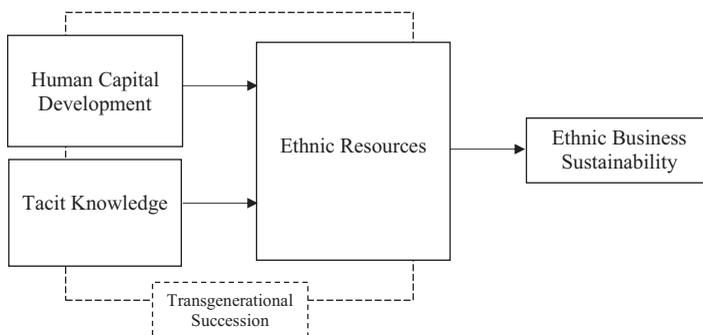


Figure 1.
Framework on ethnic business sustainability and transgenerational succession

its ethnic business identity. Hence, we adopt the view that business sustainability should be seen as a continuous process that requires flexibility.

Ethnic businesses are closely linked to their co-ethnic stakeholders, cultural environment and ethnic knowledge. [Tanguay et al. \(2013\)](#) indicate that a change in cultural understanding

and support can be weighed as an indicator for sustainability. For this reason, it is crucial that these enterprises maintain or commodify their ethnic identity for business sustainability. In addition, adapting to market changes also demonstrates business sustainability. This means that ethnic businesses should continue to remain relevant to their stakeholders (Svensson *et al.*, 2016) whilst altering their products and services to suit changing demands. Svensson *et al.* (2016) also inform that creation and innovation can be success factors in business sustainability. Nicolaescu *et al.* (2015) explain that modernization is continually re-evaluate the products and/or services a business delivers to its stakeholders. Therefore, we content to that changes in products and/or services in ethnic business sustainability aim to increase the businesses' relevance to its stakeholders.

Research methods

A good research depends on the selection of sound research techniques that are most suitable to answer the research issues at hand. In the domain of social science, qualitative research has been gaining increased interest (Wilson *et al.*, 2020) and much momentum (Mura and Sharif, 2015). This study employs the qualitative research method through a phenomenological approach. Due to the nature of this study, which tracks the implications of transgenerational succession on Indian businesses in Malaysia involving changes in ethnic resources, the case study method is utilized to provide in-depth understanding. Phenomenological research typically begins with solid descriptions of lived situations, often first-person accounts, taken and written in everyday language while obviating abstract intellectual conclusions (Finlay, 2008). Case studies are used to increase knowledge and understanding of special interest in information-rich situations (Patton, 1990). Thus, the case study method with in-depth interviews is most suited in researching on ethnic businesses in understanding the key features of these ethnic businesses. This is particularly vital when studying transgenerational ethnic businesses, uncovering generational changes (Blocha and Hirscha, 2017; Bozer *et al.*, 2017; Litz, 1997). By employing multiple cases, similar to multiple experiments, the external validity is higher than a single-case method (Eisenhardt, 1989; Yin, 2009). Yin (2014) proposes that a sampling size of two or more cases is adequate for multiple-case study research. A sampling size of two or more cases is adequate for multiple-case study research. As the aim of this study is to examine the evolution of Indian businesses in Malaysia through the transgenerational succession process, three case firms were selected for the purpose of a qualitative multiple-case study design.

To ensure research rigour on generational case studies, the criterion sampling method was used, where the selection of cases was based on case firms meeting a predetermined criterion of importance (Patton, 1990). Table 1 provides an overview of the cases. Several criteria were considered for this study. Firstly, the firms that took part in this study are family ethnic businesses that were incorporated by first-generation Indians who migrated to Malaysia and are now owned and operated by subsequent Malaysian Indian descendants. Secondly, the firms selected are in the industry of manufacturing and retailing jewellery, because of the unique nature of business requiring unique tacit knowledge. Thirdly, case firms must have gone through generational change to provide nuanced view over generations. Finally, these cases are situated in ethnic enclaves; Lebu Ampang and Klang. These are the two areas where most ethnically Indian businesses are situated in central Malaysia.

The primary data collection method for this study was in-depth interviews with founders, second- or third-generation owners of ethnic Indian businesses in Malaysia. Interviews provide the most suitable means of exploring and highlighting processes, including decision-making processes, explaining discrepancies and providing explanations (Barbour, 2008; Ghauri, 2004). Through the interaction process of the in-depth interviews, the extracted data would be useful knowledge that can be shared not only with academicians but is also valuable to practitioners in the field of entrepreneurship (Saunders *et al.*, 2019). The

interviews were done face-to-face with the family members of the establishments. Each interview conducted lasted approximately 2 h and was guided by semi-structured questions. The interview data collection was in-depth, which is “conversations with a purpose” (Marshall and Rossman, 1995).

The secondary data collection method was twofold. Firstly, the reviewing of annual reports and annual returns of each chosen firm from the time of incorporation. After compiling in-depth historical information from company records filed with the Companies Commission of Malaysia, the interviews were designed and carried out. Secondly, reviewing of historical articles from archived data such as national newspapers, magazines, as well as media articles was also assessed. These were collected from the National Archives of Malaysia.

Data triangulation method was applied to strengthen the design of this study (Patton, 1990). Triangulation was completed using a combination of three different data sources that allowed for validation and cross-checking of findings. According to Heale and Forbes (2013), triangulation can be used to determine the completeness of data, especially in studying a phenomenon. Besides that, triangulation also adds richness and depth to a research study.

To authenticate data, Rosaldo (1989) turned to reflexivity, especially since fieldwork in qualitative research can be introspective. Reflexivity in research uncovers a new realm in qualitative fieldwork representation (Mura and Sharif, 2015). Therefore, the authors acknowledge that it is important to position our role as qualitative researchers in small business and entrepreneurship for this study. The authors of this paper are four researchers based in a Malaysian tertiary institution. By acknowledging our roles in qualitative research, this paper also tries to respond to the call for more interpretivist study in the management of small business and entrepreneurship.

Findings

The findings from the three case firms are summarized in Tables 2 and 3. Table 2 explains the transgenerational changes in human capital development and tacit knowledge. Table 3 then ties the evolution of ethnic resources to ethnic business sustainability through transgenerational succession.

Company A: ethnic business sustainability through transgenerational succession explained

Company A [3] was founded by the first-generation entrepreneur (FGE1), who arrived in Penang from Chennai, India, in 1940. With deeply rooted knowledge and expertise generated from generations of ancestors being goldsmiths, FGE1 and his brothers were trained by their father back in India from young. One month after his arrival in Malaya [4], he stumbled upon an opportunity to rent a portion of a shop lot in Lebu Ampang to sell gold and jewellery. Determined to make a better life for himself and his progeny in Malaysia, FGE1 started the business with his own capital and worked hard to gain the trust of the local Indian community.

Over time, the business shifted from having mainly Indian migrant customers saving their earnings in the form of gold and jewellery at the beginning to having more neutralized Malaysian Indian customers. With the rise of Indian families in Malaya come the increase in Indian religious and cultural events, as well as weddings, which consequently led to a rise in demand for gold and jewellery. Catering to the increasing demand, FGE1 expanded the business in the 1950s, employing ten more craftsmen from India. It was also during this period that FGE1 acquired his shop lot in Lebu Ampang. Along with the expansion, the

business began modifying products to accommodate the needs of modern Malaysian Indian customers who were still largely intra-ethnic.

During the interview, the second generation (SG1) informed that there was a paradigm shift among gold jewellers between 1950s to 1960s, where modern technology became a game changer. According to the SG entrepreneur, *"In the past, about 40 years ago, one ring will take to days to complete. But today, 300 rings can be made within an hour"*. Hence, it is pertinent to note that gold jewellerys (i.e. earrings, rings, bracelets, etc.) that would have taken days to be made by hand in the past can then be manufactured in large quantities with better quality because of technological advancement. He also noted the change in societal norms in customer base, where the latter generation would buy their own wedding jewellerys in oppose to having their parents purchase as wedding gifts. SG1 entrepreneur added *"In the past, when a girl was going to get married, her parents choose her jewellerys. Now, the bride and groom prefer to choose their own designs"*, thus the need to adapt to these changes in societal norms by offering more modern designs.

In 1975, SG1 was sent to India by his father to complete a Diploma in Draughtsmanship. SG1 later returned to Malaysia and began working as a gold appraiser at the United Asian Bank, an entity known for catering primarily to the business financing needs of Malaysian Indians (Gomez, 1994). SG left the bank in 1990 to join his father's business. As an artisanal trade that has passed down generations of knowledge and expertise, it was no surprise that the SG joined the business to preserve the family legacy. In comparison to FGE1 with secondary education and SG1 with diploma, the third generation (TG1) has obtained his Master of Business Administration degree from the USA.

Company A has cultivated and carefully nurtured strong intra-ethnic ties over the years. Historically, due to language barriers and cultural differences, FGE1 networked mainly with Indian migrants. Later, he started building better relationships with Indians who settled in Malaysia. He also took the initiative to be actively involved in intra-ethnic community affairs in Kuala Lumpur. On the other hand, SG1, unlike his father, can converse very well in many languages, including English and Malay. This has enabled SG1 to widen his business networks amongst both the intra- and inter-ethnic communities in Malaysia.

A very large percentage of Company A's stakeholders, i.e. employees, suppliers and clients, were and still are of Indian origin. Facing growing competition from other ethnicities, SG1 observed that some product offerings are unique to ethnic Indian jewellers as competitive advantage because of the technique and know-how having been passed down through generations. This business is currently managed by SG1 and his son, where the TG1, a director of the firm, is to succeed him in the near future.

Company B: ethnic business sustainability through transgenerational succession explained

Company B [5] was established in post-colonial Malaya, but failed due to mismanagement. FGE2 had hired a distant relative from India to help him run Company B during its initial start-up phase, and the business thrived for a while. However, this distant relative had then betrayed FGE2's trust and took off with substantial cash and gold from Company B's stockpile. SG2 then incorporated Company B again on 9 March 1989. SG2 learnt from his father's mistakes and was more circumspect in his use of ethnic resources. He would still hire artisans from India to work on the customized jewellery, as the skill and know-how of these artisans are not found among Malaysian employees. However, the management and financial aspects of the business are handled solely by himself and his wife, and his wife keeps a keen watch of the inventory. The SG2 entrepreneur added that *"I watched my father suffer due to his decisions. I decided to learn from his mistakes"*. The unfortunate loss of his father was a key

learning experience to SG2, who has since utilized this experience as an imperative class resource.

FGE2, who left India to make a living in Malaya, completed his secondary-level education in India. SG2, on the other hand, finished his secondary-level education in Malaysia. SG2's son is currently pursuing his doctorate degree in the UK. Education, needless to say, is an important class resource. Nevertheless, FGE2 and SG2, as it would appear, did not rely much on their secondary education in growing the business and networks. SG2 entrepreneur informed during the interview that *"For this business, education is only important for the managerial aspects. Learning how to make jewelleries comes best from experience"*. FGE2, who was trained in India, had many years of experience in the gold and jewellery industry. SG2, on the other hand, was trained by his father as soon as he finished his secondary-level education. SG2 recalled that he had been learning about the jewellery business whilst working for his father, gaining invaluable experience, at the same time cultivating important business networks. SG2 entrepreneur informed: *"I had the opportunity to learn the art of jewellery making from my father. It is something I will always treasure."* SG2 related that his son was never trained in the business, whilst obviously well educated, TG2 does not possess the skill set and know-how of running a gold and jewellery business in Malaysia. SG2 admitted that he had not considered succession planning at all, since he is still in his 50s and is relatively healthy. The role of education in Company B, therefore, is rather minimal.

During the start-up stage, FGE2 had a small shop offering a few very Indian-centric and traditional design products for the small market in Malaya. SG2 expanded the business of the new incorporation by modifying the products to fit the changing trends of a rapidly modernizing Malaysia and began catering to the demands of the new middle class. In addition, he started producing a new variety of products, targeting the Hindu religious community. The increase in religious and cultural events as well as weddings amongst Indians in Malaya also led to the rise in demand for jewellery. He identified the need for personalized and intricate Hindu religious gold jewellery and decorative items not being filled by Indian jewellers in Malaysia. SG2 entrepreneur was proud to inform *"I am extremely happy to be given the opportunity to design and personalise jewellery for religious items, in and out of the country"*. Company B took advantage of this need with great success, expanded its market share. The firm reached its maturity in the 1990s, where the products were very well accepted by the market. It was during this time that Company B became very well known for its custom-made jewellery. SG2's wife joined the business as a director and shareholder, to help manage and grow the business with diversification in products.

Initially, FGE2 communicated and worked mainly with migrant Indians in Malaya. SG2, on the other hand, had begun networking with many clients from various parts of the world, who obtained customers and networks from as far as Canada, the UK, New Zealand, Australia and Singapore. Nevertheless, a high proportion of Company B's stakeholders, such as employees, suppliers and clients, are still of Indian origin. Unlike Company A, in facing technology advancement, where most jewellers have switched to machineries producing in large quantity, Company B opted to maintain workmanship of handcrafted jewelleries to preserve the quality.

Company C: ethnic business sustainability through transgenerational succession explained

Company C [6] was established on 23 July 1941 by an FGE3 of Tamil origin who came from India in 1938. He gained his goldsmith artisan and trade knowledge and skills from generations of goldsmith in his *"Pather"* [7] caste family. The large population of Indians in the pre-independence Malaysia provides Company C with steadily growing customer base, with demand for services as if they were back home in Tamil Nadu.

During the start-up stage, the small shop was managed by FGE3 and his wife, offering only a few products for a very small market in Malaya. Following the expansion, FGE3 began modifying the products offered to cater to the growing demand from customers. Company C became a household name among Malaysian Indians and was synonymous with custom-made Indian jewellery in the 1990s, well accepted by the Indian community in Malaysia. At this time, the firm had been handed over to SG3s. One SG3 noted that, customers were easier to please in the past, in comparison to present day, where customers expect after-sales services such as cleaning and polishing. Of which the SG3 expressed; "*These days, customers expect free after sales service. Or else, we may lose these customers to our competitors*". Hence, more effort is needed to ensure products offered are of excellent quality. Presently, the firm is in the process of diversifying its products to reach a wider target market.

When FGE3 first came to Malaya to pursue a better future, he was financially supported by his friends and relatives from India. He also networked mainly with Indians in Malaya. Subsequent generations are more immersed in the multi-cultural society in Malaysia; they build relationships with non-Indians, and at the same time, maintain strong relationships with Indian origins. FGE3 completed his primary-level education in India, SG3s completed their secondary-level education in Malaysia and TG3s completed their tertiary-level education, and mostly are employed as professionals. Seeing the potential and growth, FGE3 had always encouraged his children to participate in the business and passed down his knowledge and expertise to all his sons. SG3s are now training and guiding their children to run the business. However, this seems to be an uphill battle. According to the SG3 entrepreneur also, "*None of the children are very interested in taking over the business. This is a problem for us*".

In the early days, most of Company C's customers were Indians who came to look for better opportunities in Malaya. Today, a majority of Company C's employees and clients are still of Indian origin. Company C's suppliers have shifted from friends and relatives in the early days to now of Chinese origin. The SG also expressed the concern over the fast-growing number of Chinese competitors in the gold and jewellery industry in Malaysia. In terms of demand, he noticed a significant drop in the demand for handmade and traditionally designed jewellery over time, as more modern designs are being produced in bulk. Such shift led to most jewellers in Malaysia switching to machine manufacturing. To date, the firm still prefers to hire close family members or relatives as they are more trustworthy. He emphasized that trust is an important element in this business as employees are dealing with high value raw material, i.e. gold, and the potential for abuse is high.

FGE3 started the business with his own capital. To expand the business, SG3s reinvested their profits so that no loan was required to fund the expansion. Nevertheless, the firm has faced significant challenges. SG3 opined that the immigration policies in Malaysia are extremely stringent. Therefore, it is becoming increasingly difficult to obtain permits and to hire experienced goldsmiths from India to meet the demands of the locals for gold jewellery. The growth of the business today is very much highly dependent on machineries to manufacture gold jewellery. Company C is now managed by the second generation, and some members from third generation being directors in the company. SG3 reiterated that the firm now faces an acute succession problem as none of the family members of the third generation has shown any interest in taking over the business.

The effects of human capital development and tacit knowledge towards ethnic business sustainability

For Company A, both education and working experience have helped the first and second generation to grow and sustain the business. According to Cavusgil *et al.* (2003), knowledge from outside the firm is an efficient way of improving innovation capability. Hence, by

combining tacit knowledge from the family and the society, SG1 managed to offer products of contemporary design whilst maintaining their traditional flair. This combination helps the ethnic business preserve its core Indian cultural identity among the Malaysian Indians, leading to ethnic business sustainability. Company A's succession plan has been well planned, with the TG1 involved in the business as the future successor.

As for the case of Company B, the business is managed by its SG2 and his wife. Since 2018, the SG2 is assisted by his wife, sister-in-law and nephew in the management of the business, as well as in designing the products. The identification of a supply gap lead to the fulfillment of the commercial vacuum in the market, which is through the production of religious items for Hindus and on-demand custom-made jewellery. Over the years, the company succeeded innovating its products whilst securing a niche market for itself, with minimal use of technology. Company B's rare traditional craftsmanship of jewellery helps in the maintenance of the Indian identity and cultural preservation among modern Malaysian Indians, the company's main target market. This capture and maintain ethnic business sustainability for Company B. Goh (2002) informs that effective knowledge transfer between generations is an integral process for succession of businesses. Hence, the succession plan for Company B is now in progress, as the SG2 is now training his nephew to succeed him as TG2.

Like many Indian ethnic businesses, Company C began and is still located in the ethnic enclave of Klang. The high-risk nature of the business, handling expensive raw materials, lead to only trusting immediate family members since the FGE3 era. Human capital development did play a role in the establishment of the business in terms of experience as Company C's goldsmith knowledge and expertise have been passed down through generations. However, in this case, education currently does not play a vital role in the growth and expansion of the business, but the inference that it will play a role is to be observed in the future because of the higher level of education obtained by the third generation. Technology has not been embraced as an advantage, but more of a necessity to keep up with the customer demands in terms of quantity, as well as the motivation to gain higher profit. The shift to Chinese suppliers increased the turnaround time for custom-made jewellery, and at the same time, helped improve efficiency in production. It is pertinent to note that Company C shows a culture of risk-taking by including non-Indian stakeholders into their business. This is in line with findings by Pérez-Luño *et al.* (2016), which informs that a culture of risk-taking and innovation is vital in building tacit knowledge. The SG3 brothers who are currently in charge have a succession plan in place, where their children will be taking over as the TG3, although the success of the plan would ultimately depend on the interest shown by the TG3 members.

Sustaining successive transgenerational ethnic enterprises

The definition of immigrant enclaves as explained by Portes (1981) is "immigrant groups which concentrate in a distinct spatial location and organize a variety of enterprises serving their own ethnic market and/or the general population". With intentions of preserving both customs and other aspects of the culture from the region of origin in terms of business motive and needs of the ethnic group, ethnic enterprises were initially termed as "ethnic niche". These include cafes and restaurants, textile shops, jewellers and sundry shops. Areas of ethnic minority concentration are typically where these enterprises are established, a distinct character that allows us to notice the differentiation between ethnic minority neighbourhoods from those populously less concentrated ones. It must be noted that, for these businesses to be viable, they are usually located in central districts or easily accessible parts of an area, for the convenience of the minority ethnic groups should they be scattered or to attract consumers from multiple districts (Cortie and Ostendorf, 1986).

Location and time are two important markers in cultural and national identity. There are also some who see economic success as an additional factor for developing a new identity (Herberer, 2008). In the case of Malaysia, as time goes by, the descendants of the migrant generation slowly begin to shift their identity from one that is predominantly cultural to one that is mainly national (Benton and Gomez, 2014). A strong national identity tends to reduce the tendency of migrants and their descendants in terms of the view their cultural norms, beliefs and practices. This scenario can change the manner of conducting business among the successors of these businesses.

All three of the first-generation ethnic entrepreneurs of this study were driven to starting up their enterprises in ethnic enclaves to attract their chosen target market, which were Indians. Their decisions reflected their understanding of their target audience's needs for ethnic-based goods and their own need to source for manpower that can communicate effectively with the target audience as a way to build trust and develop intra-ethnic networks. Camagni (1991) and Maillat *et al.* (1991) have shown that the reinforcement of interpersonal interaction and cooperation in the region comes from territorial agglomeration, which is closely associated with the unique local milieu formation based on similarity in the interwoven socio-culture and social relations. Following the footsteps of their predecessors, the three latter generation successors have also opted to stay in these ethnic enclaves, mainly serving the niche Indian market.

Anthropologists John Comaroff and Jean Comaroff (2014) shed new light on the connection between ethnicity and business, introduced in *Ethnicity Inc.*, where they introduced the concept of "ethnpreneurship". They believe that the link between culture, identity and the market is the essence behind ethnpreneurship. However, the Comaroffs are aware of the issues behind the "commodifying" of ethnicity for product marketing. In their view, these indicate the permeation of the prevalent neoliberal practices in society, adopted by people to reap profits by culture and identity misrepresentation. Market activities to sell ethnic-based products only serve as a support for their brand identities over time, resulting in selling an idea of communities and cultures that are "custom-made" purely for this marketing purpose.

Conclusion

Using three Indian ethnic businesses in Malaysia, we examined the interplay between human capital development and tacit knowledge as ethnic resources, in sustaining ethnic businesses across generations. Building on resource-based view (Barney, 2001), we identified human capital and tacit knowledge to be among the critical ethnic resources contributing to ethnic business sustainability across generations (Light and Bonacich, 1988). Company A realized the importance of human capital development, both education and experience. Hence, FGE1 sent his son to complete his Diploma in Draughtsmanship in India and later work in a bank in Malaysia for experience, enabling SG in reducing costs and production time by utilizing technology. On the other hand, SG2 of Company B relied only on his experience to diversify the business and created a niche market in crafting and producing religious items and custom-made jewellery. He also relies very heavily on the assistance of his wife to run the business. Similarly, Company C also depended on experience and tacit knowledge in the expansion of the business, as well as trusting only the close family members. All three firms in the study rely heavily on ethnic resources to sustain and/or expand their businesses. Such reliance on ethnic resources enables all three firms to successfully sustain their ethnic businesses through transgenerational succession.

The practical implications of this paper suggests that if ethnic enterprises overlook the importance of evolution through transgenerational succession, they risk an ephemeral business tenure. As seen in the framework, both human capital development and tacit

knowledge evolved hand-in-hand through transgenerational succession amongst these ethnic enterprises. The evolution in education, experience, managerial and transfer of skills are found to impact change in ethnic resources for these businesses. Although transgenerational succession has taken place, these businesses are still able to sustain the identity of their ethnic businesses, as they are still located in ethnic enclaves catering to the larger ethnic Indians in Malaysia. Therefore, while succession planning is found to be crucial for ethnic business sustainability, location plays a role in tapping into ethnic identity for ethnic business sustainability. The development of the framework in this study contributes theoretically and can be applicable in different locations where ethnic businesses are copious, and especially when these ethnic businesses are going through a transgenerational succession. Besides that, the framework may also enhance the understanding of ethnic entrepreneurs in sustaining their ethnic businesses, through the process of transgenerational succession.

This research has several limitations. This is a study of a particular industry, goldsmith trade, involving jewelleries and religious items. Hence, a relatively small samples of ethnic businesses in Malaysia is used, which may limit the insights gained (Siti-Nabiha *et al.*, 2021). Like other ethnicity and succession studies (Bloch and Hirsch, 2017; Janjuha-jivraj, 2004), it focuses on understanding the relationship and patterns in a particular setting. The case companies in the goldsmith industry were chosen because the niche industry is experiencing changes in human capital development and tacit knowledge as ethnic resources across generations from India to Malaysia. This industry setting, coupled with case firms being generational ethnic businesses, provides a setting that enables the authors to track the changes across generations. Such qualitative study helps better understand how the interaction between human capital development and tacit knowledge as ethnic resources contributes to ethnic business sustainability. In view of the limitations, future studies may investigate several aspects as recommended and can even go beyond the scope of this study. Future studies may also determine the risks that heighten, as intergenerational transfers take place in the evolution of transgenerational ethnic businesses.

Notes

1. These firms are owned by ethnically Indian owners, who are Malaysians. All second- and third-generation entrepreneurs in this cases were born and bred in Malaysia. The owners of these companies have chosen to remain anonymous to keep the confidentiality.
2. Throughout the article, Indian-owned enterprises indicates Malaysian Indian-owned enterprises.
3. The interview with second- and third-generation entrepreneur took place in October 2013. A second interview was done in January 2019.
4. Prior to 1963, Malaysia was known as Malaya. On 16 September 1963, Malaysia was formally formed.
5. The interview with the second-generation entrepreneur took place in October 2013. A second interview was done in January 2019.
6. The interview with the second- and third-generation entrepreneur took place in October 2013. A second (phone) interview was done in January 2019.
7. Vishvabrahmin is the term used generally in India for a caste of priests, engineers, architects, sculptors, temple builders and artists. The term is used to refer to five sub-castes, which are blacksmiths, carpenters, coppersmiths, goldsmiths and sculptors. In Tamil Nadu, the Vishvabrahmins were also identified variously as the Kamaalar or Aachari or Aasari, forming several occupational subdivisions. The goldsmith caste was known as the Swarna Shilpis and a common surname of this caste was Pather, especially prevalent in the Thanjavur and Kumbakonam regions of Tamil Nadu.

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