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SCHLESINGER GLOBAL – FAMILY ENTERPRISE

CASE COMPETITION

(SG-FECC)

**CONFLICTS AND RESOLUTIONS: CONTINUING A
GENERATIONAL FAMILY BUSINESS IN IPOH,
MALAYSIA**

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FAMILY ENTERPRISE
CASE COMPETITION**



Conflicts and Resolutions: Continuing a Generational Family Business in Ipoh, Malaysia

Case

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Abstract

This case is based on a real family business in the property development industry located in Ipoh, Malaysia. Celebrating its 30th anniversary in 2021, the company was officially established by Adrian together with the help of his two younger brothers in 1991. Adrian started the property development business because he was determined to provide his family with a better life. Despite his company's initial success, a wrong decision brought the business to the verge of bankruptcy in 2016. Adrian brought in his son, Marco, to work alongside him to save the company. Although they succeeded, rising tensions and issues between Marco and his uncle emerged, but were eased by improved family communication that also improved the working environment. With two generations already working at the company, Adrian wants all three of his children to join the business and must decide how to navigate that move. The case provides students an avenue to look into the continuation of a generational family business in Malaysia and issues around family dynamics, communication, and conflict resolution.

Case

Learning Outcomes

Students should have an improved understanding of the following:

- Family dynamics in a Malaysian family business, and the influence of culture on those dynamics.
- The types of conflict that may arise from family involvement in business management.
- Assessment of the alignments between family hierarchies and business hierarchies.
- Different ways to prevent and resolve conflicts in family business.

Introduction

Kinta Saujana Sdn Bhd (Kinta Saujana), founded by Adrian in 1991, is a well-established property developer based in Ipoh, Malaysia. Its principal activities are construction and development of commercial, residential, and industrial property, as well as management services and investment holdings. As a 100% family-owned business, Adrian's family also helps run the company.

In the initial years, Adrian did not know if his small business would survive, especially having gone through the 1997 Asian financial crisis and the 2009 global financial crisis. Also, at the beginning, he did not have the intention of building a business empire to be passed down to his children. This is because, especially during the early years, he went through many difficulties in surviving and sustaining the business. He also faced bankruptcy after an aggressive building plan in 2016 did not work out.

To help save Kinta Saujana from bankruptcy, Adrian hired his eldest son, Marco, as a director of the company in 2016 after he obtained his postgraduate degree in interior and graphic design in Australia. David, Adrian's brother and another director at the company, doubted this choice and tensions developed in the office. David did not speak out, but the working relationships began to deteriorate. Adrian noticed the problems and made changes to his style of communication to improve relationships and to save his business.

By 2020, Adrian's hard work had paid off, all relations improved and the business was thriving and recognized favorably in the industry. All three of his children had received good educations, and Adrian began to envision that they would all work with him in the company to continue growing the family business together. This vision was also motivated by love for his family, as he thought that it would be easier for his children to take over the business rather than starting from scratch and facing the hardship he himself had endured in the initial years.

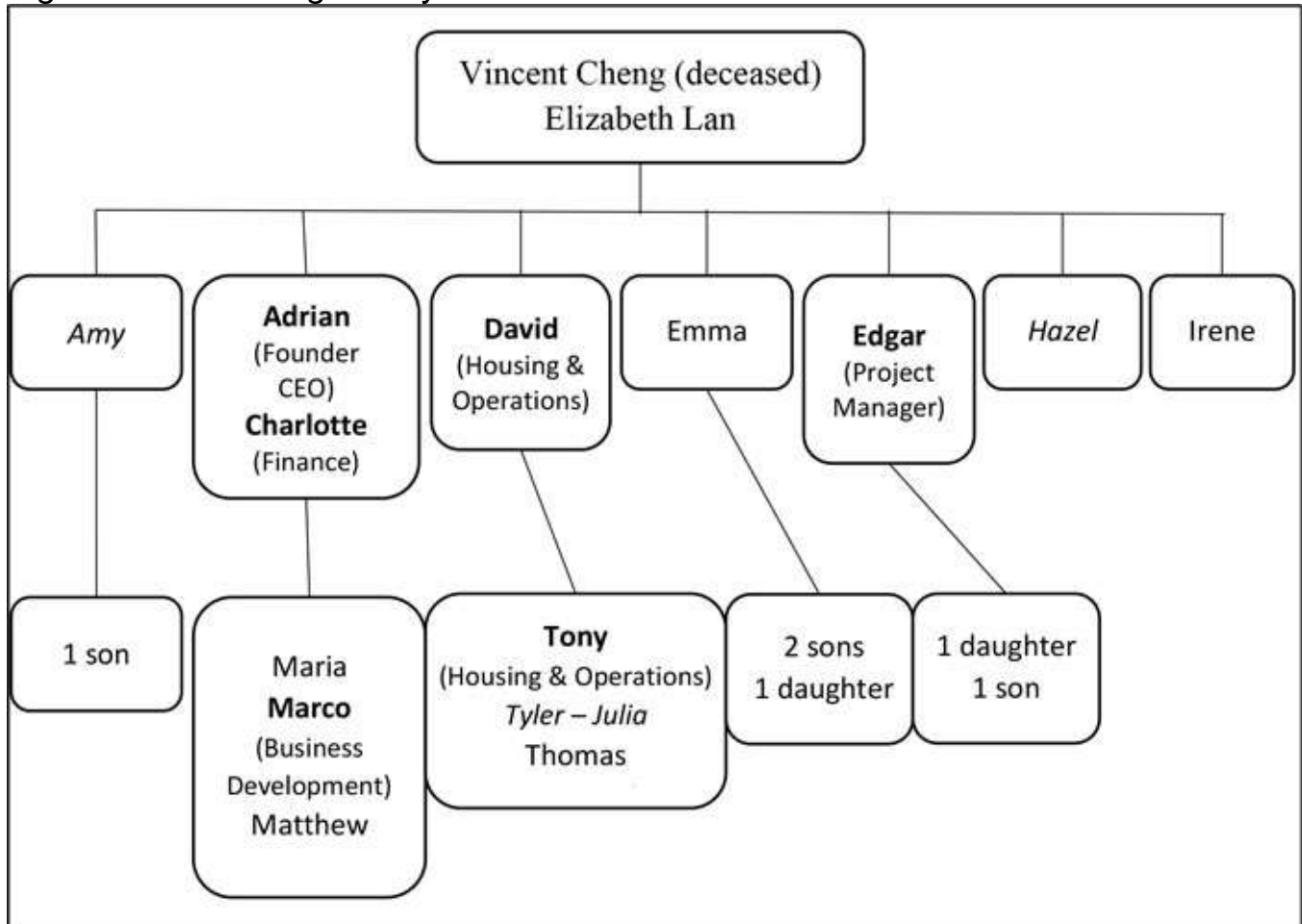
How should the family and company ensure that family dynamics support Kinta Saujana's ongoing success

with its current structure and Adrian’s succession plans in the future?

Early Life of the Founder and Founding of Kinta Saujana

Adrian was born into an ordinary family (see [Figure 1](#)). In comparison to wealthier families, his parents worked hard to earn a living and feed seven children, including him. He was not able to continue his studies after secondary school education (also known as junior high school), due to his family’s financial condition. Being the eldest son, he assumed the financial responsibility and started working as a construction worker at a building site. Although such work was physically demanding and exhausting, he did not complain because he knew he was working for the love of his family.

Figure 1. The Cheng Family



Note: Family members who currently work at Kinta Saujana are shown in bold lettering while relatives who have worked at Kinta Saujana in the past are shown in italicized lettering.

Source: Authors.

Over time, Adrian became fascinated by property development and grew passionate about it. Several years later, he borrowed money from his parents to start his own business as a housing developer. He started off with the most familiar area—the area he was living in, and did everything on his own, from looking for people who wanted to build houses on their land to finding workers to build them. Thanks to his dedication and hard work, he received his first opportunity to construct a house for a resident nearby. Within six months, he had successfully built five houses in the area. This success made him see the potential in continuing the business. Therefore, he invited his two brothers, David and Edgar, to join the business as directors to work together. The business was initially based in their hometown, Sungai Siput, in 1990. The following year, the

three brothers moved to Ipoh, where they officially established Kinta Saujana. Adrian was very grateful for his parents' support and decided to form Kinta Saujana as a 100% family-owned business.

Kinta Saujana, a Family Owned and Managed Business

As the ancient Chinese saying “Yi Shi Zhu Xing” (Figure 2: clothes, food, housing, transportation) expresses the essential requirements in life, Adrian believes that “Zhu” (housing) is one of the most important things in life, since we work our entire life to afford a place to live. It is also a cultural norm for Asians to own their home. In the 21st century, many people around the world struggle to afford a house due to increasing prices. In comparison to other Asian countries, especially Hong Kong, Malaysia is in a much better condition. Thus, Adrian is keen on further developing housing and building more homes for Malaysians—the founding philosophy of Kinta Saujana which it still espouses today.

Figure 2. Ancient Chinese Saying on Essential Requirements in Life

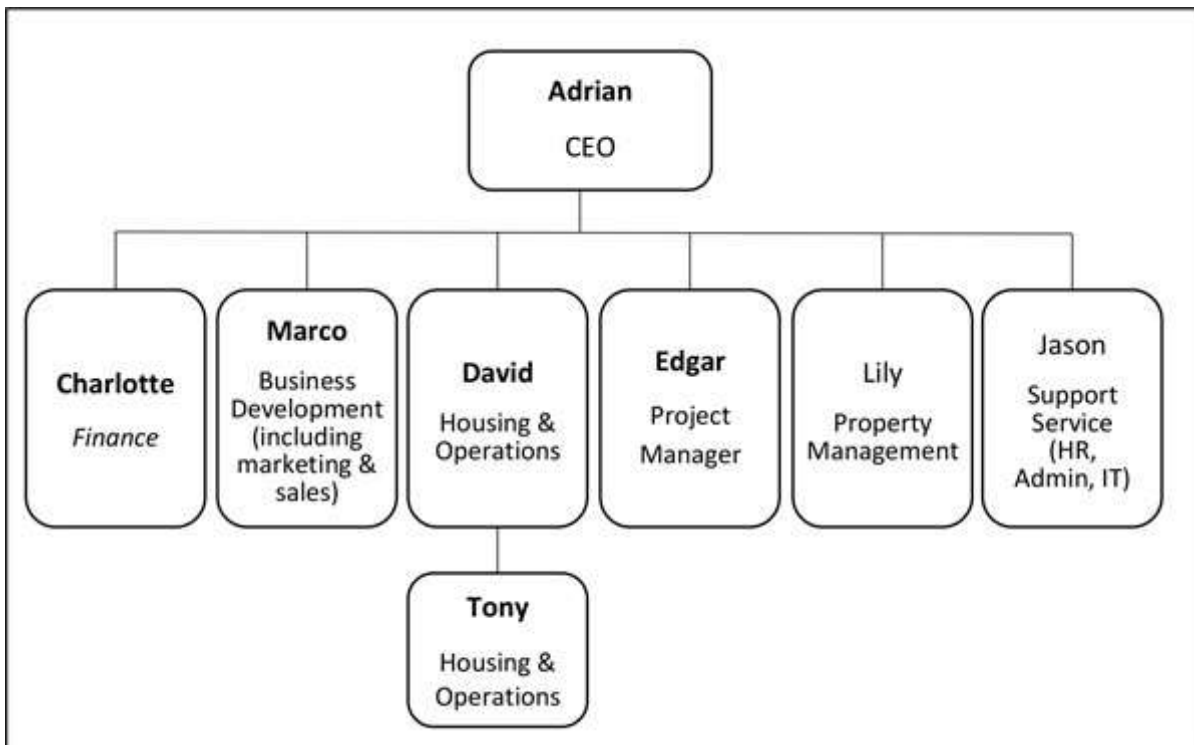


Source: Authors.

Since the company's founding, all the departments reported to Adrian, its founder and CEO. He knew every single employee working in the office personally. He set high expectations of his workforce and did not give praise easily, believing that such stern approach and disciplined style of management was the underlying reason for his company's success and long standing in the industry. Employees viewed him as an unfriendly boss and were afraid of him, but at the same time, respected him as a leader.

As illustrated in Figure 3, four out of the six main positions are held by family members and the remaining two by non-family members. Except for Adrian's son, Marco, the other five directors have been working at Kinta Saujana for more than 15 years. Adrian's wife, Charlotte, has been handling the company's finance since the formative years as one of the directors.

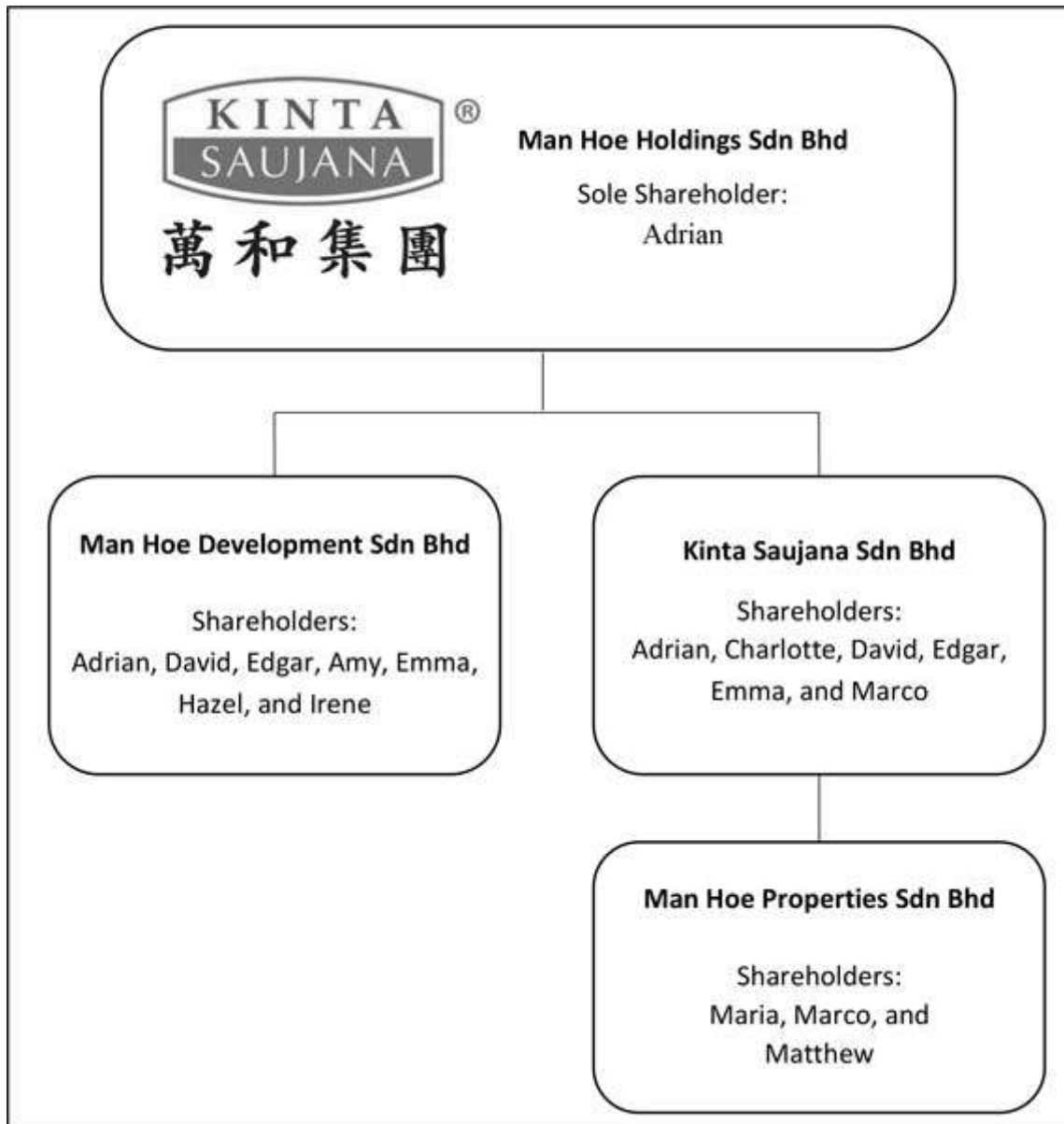
Figure 3. Kinta Saujana Management (Family Members in Bold)



Source: Authors.

As shown in [Figure 4](#), Kinta Saujana, 100% owned by the Cheng family members, consists of four separately incorporated companies. Man Hoe Development Sdn Bhd's ownership is spread among seven siblings at Adrian's generation. Man Hoe Development is also involved in real estate development, but primarily focused on hotels, whereas Kinta Saujana's emphasis is on residential and commercial housing development. Man Hoe Properties Sdn Bhd was newly established by Adrian and is 100% owned by his three children. Such arrangement allows Adrian to look after every single member of his family: his siblings and his children.

Figure 4. Ownership Structure



Source: Authors.

Fast forward to today: Kinta Saujana is now an established property developer headed by forward-looking directors with more than 20 years' experience in the construction and property development industry. On top of its commitment to build quality residential homes and commercial properties, in recent years the company has also ventured into the hotel industry. Currently, it has four hotels located in Ipoh, Sungai Siput, and Kuala Lumpur.

The Cheng Family

In the Cheng family, Adrian's branch was considered the wealthiest. As such, relatives positioned him at the top in the family and rarely talked to him, mostly through fear. In fact, all the members of Adrian's branch receive the same "treatment," where the relatives rarely initiate any conversation with his wife and three children. This could possibly be attributed to the branch being perceived as higher class, since all three of Adrian's children went to the most famous schools in Ipoh and were further educated abroad. The perceived class difference had further eroded communication, with the result that the relatives found it difficult to engage in conversation with Adrian's family.

The Cheng family consists of around 30 family members and the overall relationship between them is close and harmonious. However, the only issue was that they all found it difficult to communicate with Adrian's branch. As a Malaysian Chinese family, they celebrate the two major Chinese festivals, Chinese New Year and Winter Solstice, when all family members gather and bond. Other than these festivals, the family also have monthly gatherings, usually held in their hometown, Sungai Siput, where the grandmother lives. They also celebrate occasions such as the Mother's Day or birthdays with a meal. It is during these gatherings that all siblings and cousins have a chance to catch up, talk to one another, and share stories, as they are seldom in touch in their busy daily lives. Although all family members are normally present during these gatherings, conversation between relatives and Adrian is minimal, as Adrian himself seldom speaks and those outside his immediate family are afraid to talk to him because of his serious demeanour. Strangeness lingers in the air, as if Adrian were a stranger among them. Everyone also tends to avoid Adrian's wife and children as the relatives find it very difficult to think of topics to talk about.

Emergence of Crisis

Since the founding of Kinta Saujana, Charlotte has been very supportive of Adrian's venture and has been working for him, managing finance. The jobs for the three brothers have been clearly divided since the start: Adrian plays the liaison role that deals with potential business partners, media and government officers, David manages the construction sites and workers, while Edgar is responsible for design. Challenges have arisen along the way, but the family members were able to overcome them by working together, leading to successful completion of many projects through the years.

With Adrian's good decisions and precision in timing, Kinta Saujana had successfully expanded into the small office/home office (SOHO), student hostel, and hotel industry in the 2010s. Under the lead of Adrian, Kinta Saujana built the very first SOHO in Ipoh, named Ipoh SOHO, in the heart of the city center, and the company relocated its own office to the building, which has now become a popular landmark in Ipoh. Hotels were built in Sungai Siput and Ipoh, and student hostels in Kampar, Perak. The media praised Adrian and his amazing achievements that bring benefits to the public. The successful expansions brought the company fame and fortune, but at the same time requiring substantial financial investment.

The taste of success left Adrian wanting more. Thinking of expanding the business further, Adrian came up with the idea to build a high-rise tower belonging to the Cheng family, where each family member would own a unit. Constructing such a tower had always been Adrian's dream and it would be the first in Ipoh. Therefore, without hesitation or any detailed discussion with other directors and the rest of the family members, Adrian made the decision and promptly started construction within the course of six months. However, after the development of SOHO, hotels and hostels, the company's cash flow was running low and its liabilities were greater than its assets. Sadly, work was forced to stop a few months into the project. The construction of the tower had further drained the company's cash flow, due to the loans and interests to be repaid, and in addition had forced all other projects to stop. This difficult time for both the company and the family had also caused some family members—Amy, Hazel, Tyler, and Julia—to leave the company.

In an attempt to save the company from going bankrupt, the Cheng family members held several meetings to discuss the problems and solutions. Adrian was devastated by the thought that all that he had built from scratch would fall. Moreover, he believed that his siblings would not be able to help solve the issues with the company being in such huge debt. Therefore, he refused to participate in any of the meetings and told his family that he would solve the problems by himself. In fact, this was typical of Adrian's attitude and personality, in that he kept problems to himself and rarely communicated with others, including his siblings or even his mother. He seldom discussed with family members regarding problems and issues in the company, let alone the difficulties he faced. As the eldest sibling, he felt obliged to shoulder all the problems and not to burden others. In his mind, if anyone had to suffer, it would be himself alone, and no other family member.

Saving Kinta Saujana From Bankruptcy and the Emergence of New Issue

When Kinta Saujana was facing the threat of bankruptcy in 2016, Marco had just completed his postgraduate degree studies in interior and graphic design in Australia. He decided to come back to Malaysia to help his father, because his other two siblings were not in a position to return—Maria had her career in Australia

and Matthew had just started his undergraduate degree in the UK. With Marco on board, Adrian felt relieved and happy that he was not alone in fighting for the survival of the business. Although Marco was new and inexperienced in the industry, Adrian believed that his son would bring in fresh and new ideas. He believed that engaging Marco in the business at the management level and having him participate in all business activities of the company would allow him to learn and thrive. Thus, much authority was given to Marco as a director in decision making.

With the support of his son on board, Adrian moved ahead to save his company. To help ease the cashflow and repay the bank loans, Adrian reluctantly sold off a few of Man Hoe Holdings' properties, including a hotel and a hostel. Within a few months, the business was in a good state again and Adrian was back to his normal self. Feeling optimistic with renewed energy, he started to approach the government and was granted a few projects in cooperation with the government under programmes such as MyHome, Skim Pinjaman Perumahan (SPP), MyDeposit, My First Home Scheme (MFHS), BSN MyHome (Youth Housing Scheme), Rumah Selangorku, and PR1MA. The company has enjoyed better fortune since then and continued with project developments.

Nevertheless, Marco's new career at Kinta Saujana was not plain sailing and sparked new dynamics between the family members in the company. Conflicts and tensions arose between Marco and his uncle, David. Being the boss's son, Marco was given a powerful director position upon joining the company, putting him above his uncles in the company's hierarchy. Adrian gave Marco the rights in all decision making and took him along whenever he had meetings with his business stakeholders.

However, in David's eyes, Marco was not experienced or capable enough to be given such a position and authority. Marco's studies were not closely related to the field of property development and management, and he did not have any relevant work experience prior to joining Kinta Saujana. During a meeting with the company's sales and marketing team, David was taken aback by some issues happening regarding property sales. In one incident, a client filed a complaint because he did not receive a response regarding his inquiry on a property. In another example, a potential client was interested in purchasing a house and asked for a discount. David was dismayed by Marco's response in regard to this client. Marco told the team that there would be no discount allowed on sales of any property, and if the client was unable to afford the price, they could look for other options as there were still many potential buyers out there interested in buying their properties.

From David's point of view, Marco did not understand many things, especially on dealing with construction workers and suppliers. David was not satisfied with the way Marco managed the construction workers, which was lacking respect. On one occasion, he questioned Marco: "Do you know how many workers are in the construction sites working for you? Do you know how much you need to pay them?" which Marco was unable to answer.

As a veteran in the property development industry who had been with Kinta Saujana from the start, David was well aware of the importance of customers and the value of workers. While customers were the source of income, workers were the bloodline of the company in making every project happen in a timely matter. Therefore, customer satisfaction and good relationship with workers were of utmost importance in the company.

The relationship between David and Marco had worsened. David viewed Marco as not having the right attitude as a businessman or a leader, while Marco refused to listen to other viewpoints. In addition, David felt that he was not being respected as an uncle, as he expected his juniors to greet him and treat him with respect, but Marco never greeted him in the office. Meanwhile, Marco did not feel the need to take David's advice or suggestions as his uncle did not have a strong educational background. On this point, David was utterly dissatisfied and disappointed by his nephew's arrogance and self-centered attitude. To maintain harmony in the family, David, as an elder, chose to tolerate Marco's impoliteness; however, this was detrimental to his mental well-being, and he started to appear less in the office.

The Turning Point

Adrian noticed the tension between his brother and his son, and the fact that his brother was appearing less in the office. On the one hand, Adrian was happy to see the business getting back on track with many struggles and issues being resolved. On the other hand, he was sad to see what was happening due to the tension between family members who were equally important to him. Therefore, he decided there must be a change, and the change would start with himself, followed by his son. First, Adrian started by approaching family members with smiles and friendly behaviors during family gatherings, where he would try to start conversations instead of staying quiet. He also learned to express his feelings and love towards his siblings by being more communicative—for example, initiating a conversation by asking someone how they were doing. It was not his usual style, but it slowly worked, as the rest of the family members were happy and receptive to such change. More conversations were being exchanged between Adrian's branch and the other family members. Technology also helped, such as having family group chats on social media applications. For instance, Adrian would start a conversation by sharing his travel photos from visiting his youngest son in the UK. Over time, the family relationships improved, and Adrian's branch no longer appears like strangers during family gatherings. Adrian's siblings also stepped up and took more responsibilities in the business to help solve ongoing issues.

As for Marco, after more communications with his father and uncle, he realized that he was still young and lacked experience, and had much to learn from his seniors. He became more humble and learned to listen to advice from each of the senior managers, especially his uncle David. He also started to pay more attention towards respecting everyone else in the office. During company meetings or discussions, Marco would always listen to the opinions from others first, before taking his turn to speak. He also tried to be involved in all business matters to understand the business better. Eventually, David started to change his impression of Marco. The atmosphere in the office also changed and all the employees became more friendly and helpful, overall creating a healthy work environment.

Continuing the Family Business

It is Adrian's wish that all his three children will eventually join Kinta Saujana to continue his lifetime's work. Also, as a father, for the love of his children, he had paved the way for their future by setting up another subsidiary that is fully owned by his three children. Now that his eldest son, Marco, is already helping in the business, he awaits his other two children to come back to Malaysia to join the business.

The successor of Kinta Saujana is yet to be decided. As of 2020, Adrian's daughter, Maria, is the most capable in terms of experience and knowledge, as she has her undergraduate degree in architecture and postgraduate degree in urban development. Moreover, she has been working as a professional in the property development field. Nevertheless, Maria started working in Australia after her postgraduate degree there and is yet to have a definite plan to return to Malaysia. Adrian's youngest son, Matthew, has just begun pursuing his undergraduate degree in civil engineering in the UK, a field of study that is closely related to Kinta Saujana's line of business. However, he plans for a postgraduate degree after the undergraduate degree, thus there are still a few more years before he can come back to Malaysia and join the family business. Although graduated with degrees that are not closely related to the business, Marco has shown his commitment to the business and learned from scratch. Among the three children, Marco would have the most experience in managing the business itself.

From Marco's perspective, he looks forward to welcoming his siblings back to Malaysia to join the company, working together to take the business to greater heights and making their father proud. Marco has good relationships with his siblings, and all of them are very close. He does not feel threatened by them joining the company and believes that all of them can work together harmoniously.

How should the family and company ensure that family dynamics support Kinta Saujana's ongoing success and Adrian's succession plans in the future? Should any changes be made to the current management or business structure to account for cultural issues and ensure optimal communication and decision making?

Note

1. The company name is real, whereas the names of the family members have been changed.

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