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Article

Transforming From First-Generation Chinese Business to Local Malaysian Nanyang Ventures: Exploring Cultural Adaptation and Innovation Through Stage Model Theory

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Abstract

This study is based on field observation research conducted in the ethnic Chinese heritage cities of Klang Valley and Penang, Malaysia, adopting a qualitative approach centered on in-depth case studies of seven multigenerational Chinese family small and medium enterprises (SMEs). It adopts a dual theoretical perspective of cultural adaptation and innovation using stage model theory. Stages of growth models were the predominant theoretical framework for understanding entrepreneurial business growth from 1939 to 2025, drawing on the growth imperatives and developmental models of that period. The research focuses on Chinese businesses that migrated from China to Malaysia in the mid-19th century. Through semi-structured interviews with second and third-generation heirs and business history analysis, it examines the historical evolution of these ethnic enterprises within Malaysia's multicultural context, revealing their gradual progression from cultural adaptation to cultural innovation and ultimately to international development. This study enhances the understanding of how Chinese business culture adapts and evolves in the context of globalization. It also provides valuable insights for enterprises facing similar challenges, helping them respond effectively to cultural diversity and promote cross-cultural, interethnic business partnerships and enterprise development. Furthermore, by highlighting the cooperation and innovation practices of Malaysian Chinese businesses within a multicultural environment, this research challenges the stereotype that Chinese enterprises are confined to conducting business solely within their ethnic community.

Keywords: Chinese businesses; Nanyang ventures; cultural adaptation; stage model theory; Malaysia
JEL: L260, M130, O140

1. Cultural Adaptation and Innovation of Chinese Businesses and Nanyang Ventures in Malaysia

Malaysia's Chinese businesses represent a vibrant and diverse landscape that reflects the intricate heterogeneity of its society, particularly among the Bumiputeras, Chinese, and Indians. The term "Bumiputera", meaning "sons of the soil", refers to ethnic Malays and other indigenous peoples, who made up 65 percent of Malaysia's multi-ethnic population of approximately 30 million in 2019. The Chinese accounted for 20 percent, while Indians constituted 5 percent, with other ethnic groups making up the remaining percentage (Department of Statistics Malaysia, 2021).

Ethnic minorities, especially the Chinese community, play a crucial role in Malaysia's business environment, significantly contributing across every level of the supply chain—from production and processing to distribution and retail (Gomez, 1999). Their entrepreneurial spirit and innovative strategies have rendered Malaysia's business sector one of the most dynamic and diverse in the region. Yew (2025) stated that Chinese-family owned enterprises in Malaysia have utilised tacit knowledge innovation in introducing various products, including food offerings that blend traditional recipes with modern techniques and Traditional Chinese Medicine (TCM), catering to both local and international markets.

Today, Chinese businesses are predominantly characterized by family-owned small and medium enterprises (SMEs) undergoing significant transformations as they adapt to Malaysia's robust economic growth since the late 1980s. In 2003, the government emphasized the commercialization of agriculture, recognizing the increasing local and foreign demand for food products and the need to boost incomes in rural areas where poverty remains a significant challenge. This focus on signature Malaysian products continues to elevate the visibility and importance of Chinese businesses within the national economy. A notable trend among Chinese enterprises in Malaysia is the emergence of new business outlooks among locally born generations. As these businesses transition into their third generation, younger entrepreneurs increasingly seek to forge interethnic business ties, reflecting broader societal changes and a more integrated approach to commerce (Ting, 2020; Yeung, 1999). Another critical issue associated with this gen-

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erational shift is the evolution of service and product offerings. Many family firms are moving away from traditional ethnic-based goods toward products that embody a more inclusive Malaysian Nanyang identity (Yew, 2025). Since the 1990s, a heightened focus on the production of halal-based products has also emerged. In a predominantly Muslim society, the demand for halal food has surged, prompting many SMEs to adapt their production processes to meet halal certification standards. This adjustment not only ensures compliance with religious requirements but also enables businesses to tap into a lucrative market that extends beyond Malaysia's borders. Halal products increasingly attract both Muslim and non-Muslim consumers globally, creating significant export opportunities for Malaysian food producers (Bohari et al., 2013; Borzooei and Asgari, 2013; Hong et al., 2020). The establishment of the Halal Development Corporation (HDC) in the mid-2000s has been pivotal in promoting the growth of halal-based businesses, which encompass products and practices permissible under Islamic laws. The HDC provides support and resources to SMEs, assisting them in navigating the complexities of halal certification and ensuring that their products meet international standards. This initiative has led to a significant increase in halal-certified offerings, ranging from meat and dairy to snacks and beverages, thereby solidifying Malaysia's reputation in the global halal market.

This process of adaptation, however, often serves as a foundation for a more profound evolution toward cultural innovation—the blending of Chinese roots with Nanyang traits to create new value (Gersick et al., 1999). To systematically analyze this transformative journey from adaptation to innovation, the stage model theory (Gersick et al., 1999) offers a valuable framework, delineating enterprise growth through four key stages: start-up, expansion, maturity, and diversification. The journey begins in the start-up phase, where an entrepreneurial vision takes root, often driven by the founding generation of immigrants. This initial stage involves identifying market gaps, leveraging personal networks, and emphasizing product quality and customer relationships (Yew, 2015). At this stage, cultural adaptation is often pragmatic and survival-oriented. As the business gains momentum, it transitions into the expansion phase, focusing on increasing market share and diversifying product offerings. Leadership must adapt from a founder-centric model to a more structured management approach, often with the second generation taking the helm. During this phase, companies enhance operational efficiency, adopt technology, and improve supply chain management while engaging in strategic partnerships that facilitate networking. Successful navigation of this phase typically results in increased revenue and brand visibility. Reaching the maturity stage signifies stability and an established market presence. Here, businesses are well-positioned for cultural innovation, actively blending Chinese heritage with Nanyang aesthetics to develop distinctive brands and explore new market segments (Yew, 2024). Finally, the diversification stage involves expanding beyond core operations to mitigate risks associated with market saturation. This phase is often led by the younger generation, who leverage contemporary training and a global perspective to explore new industries or international markets. Successful diversification can involve establishing partnerships, joint ventures, or mergers that expand the business's reach, securing long-term sustainability while enhancing the family business's legacy.

Intergenerational inheritance and business stages act synergistically: second-generation cross-cultural skills drive stage transitions, while stage demands enable intergenerational capability application—avoiding treating either as isolated factors (Mustafa et al., 2019).

The focus of this study is to examine the necessary steps required to investigate the role of cultural adaptation and innovation in overcoming obstacles faced by Chinese family businesses in Malaysia. This investigation is particularly relevant as the next generation of these businesses is better educated and more open to adopting modern management practices. In this context, the study will address three research questions:

(1) How does the synergy between stage model evolution (start-up to diversification) and intergenerational inheritance enable Malaysian Chinese family businesses to maintain market prominence?

(2) Does cultural adaptation (Halal certification, Nanyang aesthetic integration) act as a prerequisite for cultural innovation, and is this 'adaptation-innovation' pathway crucial for sustaining Malaysian Chinese family businesses?

(3) How have Malaysian Chinese family businesses promoted intergenerational modernization, transitioning from Chinese immigrant roots to localized Nanyang ventures?

While the above research questions target core gaps in Malaysian Chinese family business development, existing global and regional family business research has not fully addressed these issues. A summary of the current research landscape is as follows.

Global family business research focuses on generational succession, organizational resilience, and cultural-value-business interactions. Early studies (Gersick et al., 1999) built stage-based models but centered on Western/large firms, ignoring ethnic minority family firms in multicultural emerging markets—a gap Southeast Asian Chinese family business research hasn't filled fully. In Southeast Asia, prior studies (Sin, 1987) emphasized Chinese firms' economic role but focused on conglomerates/intra-ethnic operations, overlooking Malaysian Chinese SMEs. Recent work (Yew, 2025) explored their tacit knowledge and cultural adaptation but rarely linked to inter-ethnic collaboration or stage models. This study fills gaps by focusing on these SMEs, integrat-

ing stage theory with cultural adaptation, and highlighting inter-ethnic partnerships.

In cross-cultural management, Berry and Sam's (1997) cultural adaptation theory proposes four acculturation modes (integration, assimilation, separation, marginalization) but focuses on individual-level adaptation, failing to account for intergenerational dynamics and business stage evolution in family firms—an oversight for ethnic enterprises in multicultural markets. In family business governance, early stage model studies (Gersick et al., 1999) established the "startup-expansion-maturity-diversification" framework, yet centered on Western large corporations, ignoring the unique role of "inter-ethnic cooperation" and "cultural adaptation" for ethnic minority SMEs. In Southeast Asia, prior studies on Chinese businesses (Gomez, 1999) emphasized their economic contributions but focused on large conglomerates or intra-ethnic operations, overlooking the majority of Chinese family SMEs. Recent work (Yew, 2025) explored tacit knowledge and cultural adaptation among these SMEs but rarely linked these factors to inter-ethnic collaboration or systematically integrated them with stage model theory. Most critically, existing research has not clarified the relationship between cultural adaptation and innovation, nor the causal mechanism between intergenerational inheritance and business stages—gaps this study aims to fill by focusing on Malaysian Chinese SMEs, integrating stage theory with cultural dynamics, and highlighting inter-ethnic partnerships.

2. Methodology

This study explores the dynamics of Chinese businesses in the Klang Valley and Penang, employing a qualitative methodology centered on case studies of family-owned enterprises (Anggadwita et al., 2020; Tan and Fock, 2001; Tsang, 2001) that have evolved through generational shifts from China to Malaysia. By using a business history approach, the research examines how inter-ethnic collaborations drive innovation and economic resilience within Malaysia's multicultural environment.

The focus is on seven SMEs that have successfully transitioned through at least two generations, from immigrant founders to locally born heirs. These cases, selected for their strong market reputation and commitment to modernization, reflect a blend of their founders' heritage and adaptive strategies tailored to the Malaysian context. Case selection ensures representativeness: covering Klang Valley and Penang (Chinese-concentrated areas), spanning 6 industries (rubber, textile, etc.), ensuring ≥2 generational transitions (immigrant first-gen to local descendants), and including not only "surviving" and "internationalized" firms but also those that faced significant transitional challenges, such as acquisition or brand ownership transfer. Interviewees are 2nd/3rd-gen heirs in core decision-making, ensuring information authenticity. This diverse sample allows for a balanced examination of both successful pathways and the obstacles that can hinder the adaptation-innovation leap, thereby mitigating success bias.

First, industry representativeness: They cover three core sectors of Malaysian Chinese immigrant enterprises. Traditional manufacturing addresses barriers like local raw material dependence, tech upgrading, and inter-ethnic distribution gaps; culture-related industries tackle the integration of Chinese cultural symbols with Nanyang aesthetics and global brand cognition biases; livelihood services overcome religious restrictions and local consumption habit differences. Second, complete generational succession: All cases have ≥2 generational transitions. The 1st gen focused on "passive survival adaptation", while later gens shifted to "proactive innovation", reflecting dynamic adaptive changes. Third, geographic and outcome diversity: They span Klang Valley (diverse urban market) and Penang; outcomes include "local dominance", "internationalization", and "cross-border acquisition", avoiding success bias and ensuring conclusions' universality.

To gather insights, semi-structured interviews were conducted with second- and third-generation Chinese entrepreneurs primarily in retail, services, food, and plastic production. A total of 14 semi-structured interviews were conducted with second- and third-generation heirs across the seven case firms, averaging 90 minutes per session (range: 60–120 minutes). Data collection continued until theoretical saturation was reached—defined as the point at which additional interviews yielded no new themes or insights regarding cultural adaptation, intergenerational innovation, or inter-ethnic collaboration.

Most interviewees, locally born ethnic Chinese, shared how partnerships with various ethnic groups, including the Muslim community and multinational corporations, enhance community engagement and challenge stereotypes of exclusive intra-ethnic business interactions. The data analysis followed a systematic process. First, all interviews were transcribed verbatim. Subsequently, a thematic analysis was employed, involving an initial phase of open coding to identify key concepts and practices. These codes were then grouped into broader categories, which were iteratively refined and synthesized into the three core themes that structure the findings section of this paper:

(1) Transitions in Business Evolution: Examining the shift from traditional to modern practices, leading to increased innovation and competitiveness.

(2) Changes in Chinese Family Businesses during Generational Shifts: Highlighting transformation in leadership and strategies as businesses pass between generations, focusing on the new generation's role in fostering inclusivity.

(3) Dynamic Interplay Between Inter-Ethnic Partnerships, Innovation, and Modernization: Investigating how cross-ethnic collaboration modernizes traditional Chinese heritage, promoting social cohesion and cultural respect within the marketplace.

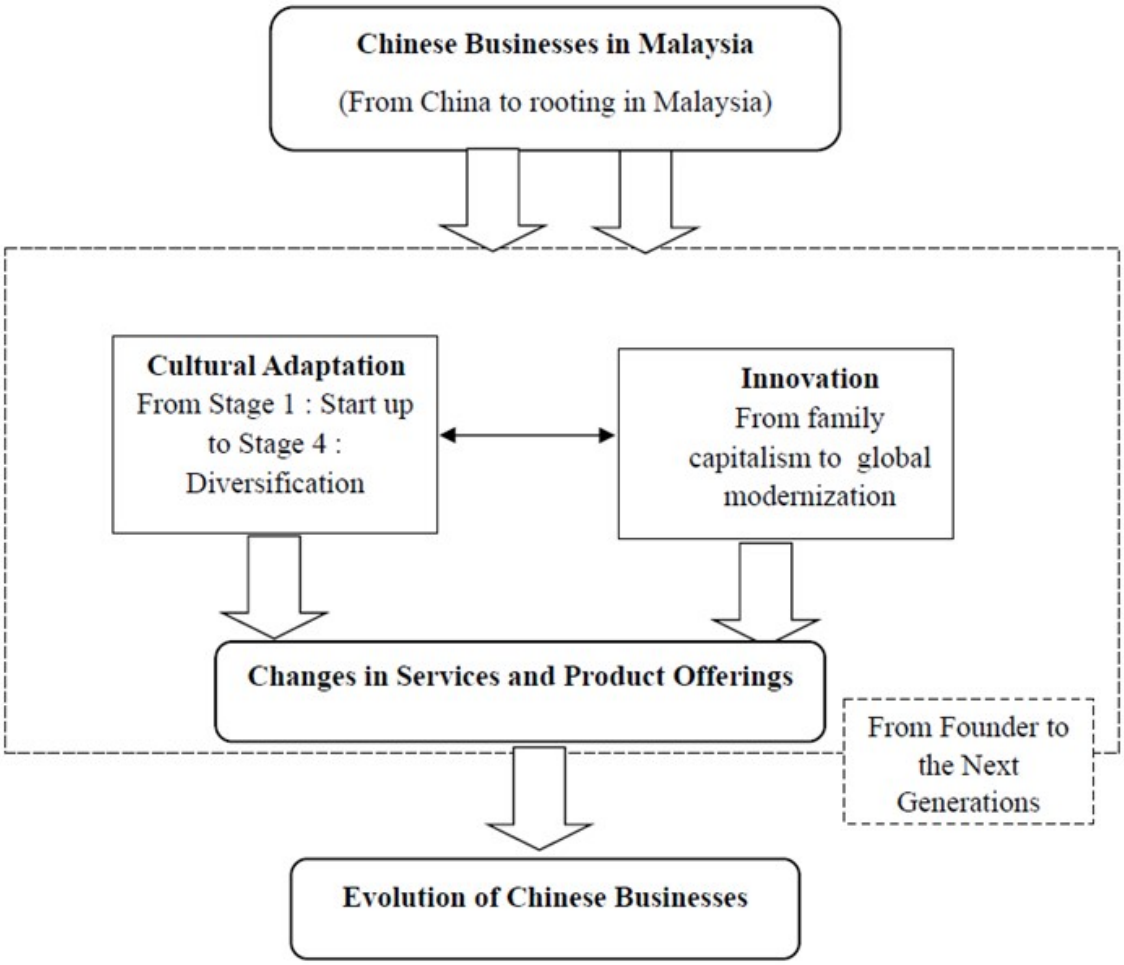


Fig. 1. Conceptual framework. Source: Revised from Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977).

The complexity of ethnic practices in these family businesses underscores the scarcity of quantitative research in this area, particularly regarding the influence of inter-ethnic collaborations (Tarling and Gomez, 2008). By emphasizing collaborative practices, this study sheds light on the robust impact that shared resources and diversified perspectives have on the economic structures of Chinese businesses in Malaysia. Crucially, through a focused business history assessment, this research aims to contribute to the understanding of how Chinese businesses mostly family owned in Malaysia root their innovations in inter-ethnic collaboration. The insights gained from these case studies underscore the transformative potential of inter-ethnic partnerships in enhancing community ties and promoting inclusivity, ultimately enriching Malaysia's multicultural fabric and driving economic resilience in a rapidly changing environment.

As illustrated in Fig. 1, the evolution process encompasses both static aspects—ranging from start-up to diversification within the stage model—and dynamic aspects, which include cultural adaptation and innovation within the Chinese family business model. In this study, the first generation adopted a start-up culture within their family businesses to facilitate expansion. Many, if not the majority, of these start-ups inherited skills, cultural practices, and experiences from their migrant families, particularly those originating from Canton, China, before migrating to Malaysia. The internationalization of these businesses and the impact of disruptive technologies during generational transitions have significantly boosted cultural adaptation among Chinese businesses. This adaptability has become a key source of competitive advantage in the modernization and innovation processes.

3. Exploring Family Business Legacy in Malaysia: A Historical Assessment of Generational Transitions

Family businesses in Malaysia serve as a compelling example of how cultural heritage, community ties, and generational shifts intertwine to shape business practices and strategies. These enterprises encounter unique challenges and opportunities as they navigate emerging markets while striving to preserve their cultural identities, particularly among Chinese businesses in Malaysia. An exploration of the historical development of Chinese family

businesses is essential for several reasons. First, these businesses are often founded on distinct cultural traditions, providing valuable insights into how cultural elements influence operations and community engagement. Understanding this historical context enriches our appreciation of these enterprises, revealing their depth beyond mere economic metrics.

Second, as family businesses transition from one generation to another, noticeable changes emerge in management styles and market strategies. This generational dynamic illustrates how family values and visions evolve, highlighting the balancing act between tradition and innovation that these businesses must perform. Furthermore, Chinese family businesses have a substantial impact on the economic and social landscape in Chinese-majority areas such as Klang Valley and Penang. A historical assessment of their development sheds light on their contributions to local economies, job creation, and community services, emphasizing their vital role in sustaining the neighborhood.

These businesses also confront distinct challenges, including pressures from urban development, competition with larger corporations, and shifts in consumer behavior. A historical perspective reveals patterns of resilience and adaptability, providing insights into how these enterprises respond to external pressures while remaining true to their roots. Studying the history of Chinese family businesses in Malaysia offers invaluable lessons for future entrepreneurs. By reflecting on successful strategies and potential pitfalls, new business owners can forge paths that honor their family legacies while adapting to contemporary market dynamics.

Scholars of business history have highlighted the significance of case studies in understanding the effects of generational transitions on family businesses (De Massis and Kotlar, 2014; Leppäaho et al., 2016; Nordqvist et al., 2009). Adopting a business history approach to analyze the evolution of Chinese-owned family firms allows for nuanced insights into the types of products that emerge following a generational change within these enterprises. This research method emphasizes the relationship between business strategy and organizational capabilities—core factors that significantly influence the evolution of firms through distinct stages (startup, expansion, maturity, and diversification) (Combs et al., 2020; Gersick et al., 1999).

By employing a business history framework, we can better comprehend knowledge transfer and product development within these companies (Cheong et al., 2015; Erdener and Shapiro, 2005; Tsang, 2001). However, issues of generational change and product development among firms have primarily been examined in large corporations, receiving limited attention in studies of Chinese-owned SMEs in Malaysia (Gomez, 1999; Mustafa et al., 2019; Sin, 1987). Despite significant transitions occurring within Chinese family-owned SMEs in Southeast Asia, the literature on this topic remains scarce. This gap is particularly pronounced in regions such as Klang Valley and Penang, where Chinese family-owned businesses are integral to both the local economy and cultural landscape.

In recent years, Chinese family firms in Malaysia have faced numerous challenges and opportunities, prompting transformative changes in their operations and strategies in response to market demands and generational shifts. This study aims to address the existing literature void by providing a comprehensive assessment of the business history of family-owned SMEs across various industries operated by ethnic Chinese, tracing their journey from migrant origins to innovations rooted in Nanyang Malaysia. By exploring these Chinese businesses, we can gain insights into their unique challenges, growth patterns, and the cultural influences that shape their operations. Given their significance in the community, focusing on these enterprises is particularly relevant, as they play a crucial role in preserving Chinese Nanyang products to excel in the international market.

Table 1 presents a detailed profile of the selected case studies, highlighting key aspects such as company names and dates of incorporation, ownership structures, generational involvement, and the historical context of each enterprise. This profiling enables a deeper understanding of the diversity within Chinese family firms in Malaysia and their varying approaches to business management and adaptation. Each case exemplifies the characteristics and dynamics that define Chinese family-owned businesses in Malaysia, providing a rich basis for analysis.

Through this examination, this study seeks to uncover the underlying factors that influence the success and sustainability of these Chinese businesses, considering their historical roots, community roles, and responses to contemporary economic challenges. Ultimately, this research aims to contribute to a broader understanding of the dynamics of Chinese family businesses in Southeast Asia, emphasizing the importance of cultural heritage in shaping business strategies and ensuring the longevity of these enterprises.

The findings from the business cases firms are summarized in Table 2. The table is organized by explaining the link between cultural adaptation strategies and business innovation, and how these enterprises have evolved following a generational shift.

4. The Practical Logic and Theoretical Alignment of Cultural Adaptation and Innovation

This chapter, based on the case data of seven Malaysian Chinese family businesses mentioned earlier, combines Berry and Sam's (1997) cultural adaptation theory and Gersick et al.'s (1999) model of enterprise growth stages to critically distill cultural adaptation and innovation practices, and clarify the internal logic for breaking through the barriers to enterprise development. And verify the applicability of the theoretical framework to Malaysian Chinese small and medium-sized enterprises in a multicultural context.

Table 1. Profile of the cases (1939–2015).

Company (date of incorporation)	Ethnic background of entrepreneurs	Number of generational changes	Location of business
1. Fung Keong Rubber Manufactory (03/05/1939)	Originally from Canton, China to Klang, Malaysia	4 (Originally founded in China, the business has evolved through four generations of Malaysian-born entrepreneurs before being sold to a Thai company).	Klang, Selangor. Malaysia
2. Boon Wah Co. Textile (10/05/1940)	Originally from Canton, China to Lebuh Campbell, Penang, Malaysia	3 (The business was initially founded by an entrepreneur from China in Perak before relocating to Penang, where it was handed down to the third generation, a daughter and son).	Lebuh Campbell, Penang, Malaysia
3. Eu Yan Sang (1959) Sdn Bhd (26/08/1959)	Originally from Foshan, China to Gopeng and Kuala Lumpur, Malaysia	4 (The business was founded by an entrepreneur from Foshan, China, in Perak before moving to Kuala Lumpur, where it has been passed down to the fourth generation. Mitsui & Co and Rohto Pharmaceutical acquired 86% of Eu Yan Sang from Righteous Crane Holding).	Shaw Parade, Kuala Lumpur, Malaysia
4. Royal Selangor International Sdn Bhd (01/10/1969)	Originally from Chaoshan-Shantou, China to Kuala Lumpur, Malaysia	4 (The business was founded by an entrepreneur from Chaoshan, China, in Kuala Lumpur before moving to Setapak, where it has been passed down to the fourth generation, with Datuk Yong Poh Kon and his children and nephew in executive positions).	Setapak Jaya, Kuala Lumpur, Malaysia
5. Kum Thim Food Industries Sdn Bhd (03/05/1971)	Originally from Xinhui, China to Kajang Selangor, Malaysia	2 (The sauce production knowledge originated from the Thye Woh sauce factory and was passed down from a master sifu from Canton, China, eventually reaching Mum's family and being handled by his son).	Kajang, Selangor, Malaysia
6. Guppy Plastic Industries (16/10/1981)	Originally from Chaoshan-Shantou, China to Kuala Lumpur and Penang, Malaysia	2 (The business was founded by an entrepreneur from Chaoshan, Shantou, China, initially establishing a guppy fish aquarium in Kepong before expanding to Cheras, Penang, and overseas factories in China and the USA. It was sold to a Japanese firm during the transition to the third generation).	Cheras, Kuala Lumpur, Malaysia
7. Jimmy Choo (Malaysia) Sdn Bhd (26/03/2015)	Originally from Jiaying Meizhou, China to Hutton Lane Penang, Malaysia	2 (The business was founded by the late Mr. Choo from JiaYing, Meizhou, China, starting as Choo's cobbler service in Hutton Lane, Penang. It expanded from Malaysia to London, establishing outlets in Europe and the US under the Jimmy Choo brand. The business was acquired by Michael Kors Holdings Limited during the transition to the third generation).	Lebuh Muntri, Penang, Malaysia. (Jimmy Choo learned shoemaking through an apprenticeship at a Hong Kong shoe store in Lebuh Muntri).

Table 2. Product development and business evolution.

Company/Business nature	Number of generational changes	Cultural adaptation strategies across generations	Embracing innovation across generations
1. Fung Keong Rubber Manufactory (Rubber Shoes and Motorcycle Tires)	3	**First generation**	**First generation**
		Stage 1: Start-up The founder, originally from Wan Fou in Canton, established a canvas shoe manufacturing company in Canton in 1920 before relocating to Hong Kong.	The founder is mastering canvas shoe making in Canton and Hong Kong, gaining popularity in Southeast Asia. The company embraces innovation in rubber shoe production by blending traditional Chinese craftsmanship with upgraded Singer sewing machines, enhancing OEM shoe capacity. For example, it collaborated with Bata Shoes during its first generation.
		Stage 2: Expansion They gained popularity for their canvas shoes in Hong Kong and Southeast Asia, establishing their overseas business in Klang, Malaya, in 1939, targeting rubber shoe products due to rubber being a key commodity in Malaya.	
		Subsequent generation	**Subsequent generation**
		Stage 3: Maturity They optimized production processes and implemented innovative manufacturing techniques to increase the output of rubber shoe products, later expanding to motorcycle tires to target the ASEAN market.	The company diversified its OEM shoe business into motorcycle tires to better compete with Western brands, recognizing that motorbikes are the primary mode of transportation in Southeast Asia. After being acquired by the Thai tire manufacturer, FKR, the brand gained popularity in the ASEAN market due to its quality. FKR sneakers are also becoming increasingly popular among the Bumiputera Malay community, catering to a preference for local Malaysian sneaker brands over those favored by Malaysian Chinese consumers.
		Stage 4: Diversification Fung Keong Rubber Manufactory (FKR) was acquired by N. D. Rubber Public Company Limited, a prominent Thai-listed tire manufacturer. With advanced technology from Thailand, their motorcycle tires now meet the European ECE-R75 standard, positioning them among the best in Southeast Asia. FKR has also authorized Bumiputera Malay resellers to sell FKR sneakers in Malaysia.	
2. Boon Wah Co. Textile (Apparel, Textile and Accessories)	2	**First generation**	**First generation**
		Stage 1: Start-up The founder, originally from Canton and part of the Hakka dialect group, started the business in Perak before relocating to Penang. The business initially targeted Chinese migrants in Penang, offering affordable textiles and apparel, while also capitalizing on the availability of sewing jobs at the time.	The founder, originally from Canton, established the first textile and apparel shop in Penang in the 1940s. Recognizing that many small companies offered similar textile services, the business shifted to specializing in luxurious Chinese brocade, which symbolizes wealth and status in Chinese society.
		Stage 2: Expansion The business has gained a strong reputation in the Chinese community in Penang. With many tycoons and upper-class customers, it shifted its focus to high-quality textiles and branded apparel from Japan, Korea, and Europe. Malaysian Chinese textile owners now source their materials from this business to create customized tailor-made apparel for their shops.	

Table 2. Continued.

Company/Business nature	Number of generational changes	Cultural adaptation strategies across generations	Embracing innovation across generations
		Subsequent generation	**Subsequent generation**
		Stage 3: Maturity Boon Wah highlights Chinese brocades' elaborate designs, featuring motifs inspired by nature, mythology, and cultural symbols. This luxurious textile has attracted many foreigners to experience Chinese culture in Penang, Malaysia.	The next generation has imported luxurious textiles from Japan, Europe, and Korea to meet the diverse demands of customers. Chinese brocade is now used to create tuxedos, wedding gowns, uniforms, and batik apparel, blending seamlessly with Malaysia's Nanyang heritage in textiles and fashion.
		Stage 4: Diversification Boon Wah has diversified his business by importing luxurious textiles from around the world to meet the local demand from higher-income groups who appreciate Chinese culture in textiles and apparel. The overseas Chinese community and tourists love exploring this heritage textile shop in Penang.	
3. Eu Yan Sang (1959) Sdn Bhd (Traditional Chinese Medicine and Medical Hall)	4	**First generation**	**First generation**
		Stage 1: Start-up Eu Yan Sang was first established in Gopeng, Perak, by a founder from Foshan, Canton. The name "Yang Sang", meaning "caring for mankind", reflects its mission to serve Chinese immigrants and opium patients working in the mining sector in Perak.	By 1889, Yan Sang expanded beyond groceries and medicine, adding remittance services for coolie workers. Eu Kong's vision extended beyond commerce as he aimed to improve their physical health with Yan Sang's high-quality medical products.
		Stage 2: Expansion Eu Kong's only son, Eu Tong Sen, expanded the business from Gopeng, Perak, to other states in Malaya and Singapore during the 1920s. He established more medical halls and diversified into the tin mining and rubber plantation industries.	
		Subsequent generation	**Subsequent generation**
		Stage 3: Maturity Eu Yan Sang International Limited, listed on the Singapore Exchange since 2000, has acquired Eu Yan Sang Hong Kong, unifying operations in Hong Kong SAR, Malaysia, and Singapore into a single entity. This consolidation leverages shared shareholders and management, setting the stage for future expansion initiatives in Hong Kong SAR.	To ensure high standards of care in Traditional Chinese Medicine (TCM) and Integrative Medicine, we established a Medical Board of Western-trained specialists and TCM physicians to oversee clinical development. In 2024, Rohto Pharmaceutical Co., Ltd. and Mitsui & Co., Ltd. acquired our company. Mitsui & Co. also partnered with Eu Yan Sang in a fund managed by Tower Capital Asia, enhancing our commitment to evidence-based scientific solutions.
		Stage 4: Diversification Eu Yan Sang acquired a stake in Healthzone Ltd. to create Healthy Life Group Pty Ltd., advancing its vision of becoming a global integrative healthcare and wellness company. The company also launched its first retail museum concept store in Foshan, Guangzhou, the birthplace of founder Eu Kong.	

Table 2. Continued.

Company/Business nature	Number of generational changes	Cultural adaptation strategies across generations	Embracing innovation across generations
4. Royal Selangor International Sdn Bhd (Manufacturing and Marketing of Pewter Articles)	4	**First generation**	**First generation**
		Stage 1: Start-up The pewter business founded by Yong Koon originated in Shantou, Chaozhou. He initially created pewter incense burners, joss stick holders, and candlestands for wealthy tin miners and Chinese temples.	The enterprise produced Chinese ceremonial vessels, including drinking vessels and teapots, using pewter. Located in a new urban enclave and influenced by European tastes in pewter design, the family business shifted its focus from traditional Chinese religious vessels to items such as cigarette boxes, ashtrays, and beer mugs for European consumers living in Malaya starting in 1930. In 1934, the enterprise began selling and exhibiting pewterware under the name Malaysian Pewter.
		Stage 2: Expansion Yong Koon and his brothers built a small business, progressing from creating simple ceremonial and religious objects to designing vases, beer tankards, and other items for an expanding Western market.	
		Subsequent generation	**Subsequent generation**
		Stage 3: Maturity Royal Selangor has begun establishing a new joint venture with the German pewter manufacturer Roders. The company is currently experimenting with pewter casting using molds made from various materials. Due to Japan's industrialization in the 1970s, both Japanese and Western countries became well aware of the high-quality pewter produced by Royal Selangor.	Committed to the future, Royal Selangor embraces innovation by integrating cutting-edge technology into its design and manufacturing processes. The company explores sustainable materials and fosters creative collaborations with contemporary artists and designers. This blend of tradition and modernity not only honors its heritage but also ensures that its products remain relevant and captivating, allowing Royal Selangor to connect with new audiences and inspire a new generation of artisans. Based in Kuala Lumpur, Malaysia, it boasts standalone stores in major cities like London, Hong Kong, and Singapore, and its products are available in prestigious department stores such as Wako, Harrods, and Hudson Bay.
		Stage 4: Diversification The company successfully negotiated with the V&A and became the first licensee partner of V&A Enterprises in Asia. Since 1996, the Malaysian company has established extensive international sales channels through its flagship stores.	
5. Kum Thim Food Industries Sdn Bhd (All Sauces and Halal Accredited Dimsum and Yee Sang)	2	**First generation**	**First generation**
		Stage 1: Start-up The founder's ancestors originated from Xinhui, Canton, and began a cottage business in Klang Valley. Mr. Mun Kum Thim, the founder's son, learned from a Chinese master at Thye Woh, known for producing authentic soy sauce made by Mr. Chia Gen. Mr. Kum Thim initially employed a door-to-door sales method to market the soy sauce.	The first generation sought to professionalize their knowledge of traditional soy sauce by gaining hands-on experience from masters at Thye Woh. Mr. Kum Thim aimed to promote Nanyang Chinese culinary culture in Malaysia by developing Halal sauces tailored for the hotel industry, along with various Yee Sang offerings.
		Stage 2: Expansion Mr. Kum Thim has developed a variety of authentic Malaysian Nanyang sauces, all Halal-certified, to supply hotels and kitchens on cruise ships.	

Table 2. Continued.

Company/Business nature	Number of generational changes	Cultural adaptation strategies across generations	Embracing innovation across generations
		Subsequent generation	**Subsequent generation**
		Stage 3: Maturity Kum Thim's business has expanded from Malaysia to China, where two factories have been established. The company now produces Yee Sang ingredients, becoming a major supplier for distributing Yee Sang to the overseas Chinese community as well as the Chinese market.	The next generation has repackaged the sauces to align with local Chinese culinary tastes and promote Chinese cuisine in a multiracial society. Halal-accredited dim sum has been produced, while factories in China manufacture Nanyang sauces for the Chinese market. As a result, Yee Sang varieties have gradually gained goodwill, increasing market share to around 75%, earning recognition as Malaysia's largest Yee Sang manufacturer since the 1980s.
		Stage 4: Diversification Kum Thim has diversified traditional Chinese soy sauce into authentic Nanyang sauces that are Halal-certified, catering to all hotels in Malaysia. Meanwhile, the factories in China have begun manufacturing frozen dim sum and other sauces for distribution back to Malaysia. Additionally, Yee Sang ingredients are being exported to the Chinese market.	
6. Guppy Plastic Industries (Manufacturing and Trading in Plastic Related Products)	2	**First generation**	**First generation**
		Stage 1: Start-up Founder CP Goh migrated from Chaozhou, China, at the age of 16 and worked in various settings, including factories and restaurants. In the 1950s to 1965, he partnered with KG Ng to manufacture plastic aquarium equipment in Kepong and Desa Jaya.	Founder CP Goh originally came from Chaozhou and has worked in various roles within the plastic aquarium business, primarily run by the Teochew dialect group among ethnic Chinese enterprises in Malaysia. The first generation heavily engaged in the industrialization of the electrical and electronics sector, collaborating with multinational corporations from Japan during the Mahathir administration to promote the Look East policy in the 1980s.
		Stage 2: Expansion CP Goh encountered difficulties in sourcing plastic aquarium equipment, prompting him to seize the opportunity to manufacture the necessary products. This led to the establishment of Guppy Plastics in 1970, at a time when the market was increasingly focused on OEM plastic products and the electrical and electronic sectors were booming.	
		Subsequent generation	**Subsequent generation**
		Stage 3: Maturity Headquartered in Selangor, with factories in Penang, Selangor, and Melaka, Guppy has rapidly evolved into a well-established company with multiple business sectors. It has expanded into developing plastic products for various industries, including agriculture, automotive, disposable wares, electrical and electronics, office equipment, furniture, medical supplies, semiconductors, telecommunications, and pet products.	With specialized skills in plastic production, CP Goh and the next generation have diversified plastic technology across various sectors: the 1980s for electrical and electronics, the 1990s for telecommunications, and the 2000s for medical products and disposable wares, serving both international and local clients. Guppy was gradually acquired by Mizuho Asia Partners to revitalize the business with a strong focus on Japanese plastic technology.

Table 2. Continued.

Company/Business nature	Number of generational changes	Cultural adaptation strategies across generations	Embracing innovation across generations
		Stage 4: Diversification Guppy, with extensive experience in R&D, manufacturing, and product testing, offers comprehensive one-stop solutions for plastic injection services, assisting clients from initial concept to finished product across various industrial sectors using world-class facilities. The company has also established two overseas factories in China and the USA to diversify its plastic products and integrate disruptive technology. In 2022, Mizuho Asia Partners made a strategic investment in Guppy, becoming the controlling shareholder.	
7. Jimmy Choo (Retail Sale of Footwear and Accessories)	2	**First generation**	**First generation**
		Stage 1: Start-up Jimmy Choo's father, a cobbler from Meizhou, China, settled in Nanyang, Penang, where he established "Choo's Cobbler", earning a strong reputation in the local market. Jimmy learned the art of shoemaking from his father and Mr. Wong Sam Chai, a master shoemaker from China who owned the Hong Kong Shoe Store, now managed by his son, Mr. Wong Heng Mun, on Kimberly Street in Penang.	Jimmy Choo learned from his father and a master cobbler at the Hong Kong Shoe Store in Penang, where he crafted his first pair of shoes at 11 years old in 1959. His hands-on experience was rooted in his heritage from China, inspiring his innovative approach in Penang.
		Stage 2: Expansion Jimmy Choo refined his shoemaking skills at the London College of Fashion. The business grew significantly in the 1990s after his designs were favored by the late Diana, Princess of Wales. In 2001, Choo sold his 50% stake in the company to concentrate on his couture line, known for high-end, beautiful, and comfortable shoes.	
		Subsequent generation	**Subsequent generation**
		Stage 3: Maturity After teaming up with Tamara Mellon, the accessories editor of British Vogue, Jimmy Choo co-founded his eponymous company, rapidly expanding the brand globally with locations in Los Angeles and New York. His shoes, popularly known as Jimmy Choos, have been worn by numerous A-list celebrities, including Angelina Jolie and Julia Roberts. The brand later expanded to include handbags and accessories.	While in London, Jimmy Choo worked for two design companies before targeting the high-end market. He was frequently seen at Kensington Palace with Princess Diana of Wales, discussing shoe designs. The company now has 237 stores worldwide across Europe, the Middle East, and Africa. Choo and his team sell bridal and ready-to-wear couture collections alongside his custom-made shoe designs.

Table 2. Continued.

Company/Business nature	Number of generational changes	Cultural adaptation strategies across generations	Embracing innovation across generations
		Stage 4: Diversification Jimmy Choo now concentrates on his exclusive couture line and trains students in his London shop on high-end shoemaking. In 2002, he was honored with the Officer of the Order of the British Empire (OBE) title for his contributions to the UK shoe and fashion industry. He recently established the JCA London Fashion Academy to educate young designers. In July 2017, it was announced that his company would be acquired by Michael Kors Holdings for £896 million, furthering its diversification strategy.	

Note: OEM, Original Equipment Manufacturer: a company that makes parts or products that are then marketed by another company, often under that buyer's brand; ASEAN, Association of Southeast Asian Nations: a regional intergovernmental organization of eleven Southeast Asian countries (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Vietnam, Timor-Leste); ECE-R75, Economic Commission for Europe Regulation No. 75: a UN ECE regulation setting uniform safety requirements for tires used on certain categories of vehicles (notably L-category/motorcycle tires), covering things like grip and high-speed performance; SAR, Special Administrative Region (e.g., Hong Kong, Macao); V&A, Victoria and Albert Museum (London); R&D, Research and Development: the work a company does to innovate and create new products or improve existing ones; CP Goh, Goh Choon Piow (Founder of Guppy Plastic); KG, Ng Kiat Guan (Founder of Guppy Plastic).

4.1 Typological Deconstruction of Cultural Adaptation: Practical Classification Based on the Goal of Breaking Through Barriers

In light of the core obstacles faced by enterprises in Malaysia's multicultural context, the cultural adaptation practices of the seven enterprises can be classified into three typical models. Each model has achieved barrier breakthroughs through specific paths and produced verifiable business results. Religious culture compliance adaptation mainly targets the entry barriers of the Muslim market. Representative enterprises proactively obtain local religious certifications, adjust production processes to conform to religious norms, and collaborate with local ethnic groups to build distribution networks, ultimately achieving a significant expansion in the coverage of their target customer groups. For instance, food and rubber manufacturing enterprises, through compliance transformation, successfully entered the previously hard-to-reach Muslim consumer market and related business cooperation systems. The cultural symbol integration adaptation focuses on resolving the cognitive contradiction between localization and internationalization. Enterprises extract core elements of Chinese culture and creatively integrate them with local aesthetics in Southeast Asia or international popular trends to reconstruct the cultural identity of products. This not only avoids the niche limitations of pure Chinese products but also breaks through the lack of cultural recognition of pure Western products. Such practices are particularly prominent in the textile, tinware manufacturing and luxury goods sectors, ultimately helping enterprises simultaneously gain recognition from local multi-ethnic groups and a differentiated competitive edge in the international market. Institutional and policy-responsive adaptation targets the resource acquisition barriers under policy guidance. Enterprises proactively align with local industrial policies, adjust their business directions to fit the areas supported by policies, and thereby obtain policy dividends and official endorsements. This alleviates the predicament of insufficient funds for technological upgrading and low market trust in new businesses faced by small and medium-sized enterprises. The relevant practices of plastic manufacturing and traditional Chinese medicine enterprises both demonstrate that such adaptations can effectively accelerate the integration of enterprises into the local industrial ecosystem and expand the space for business development.

4.2 The Fit Between Innovation Practice and the Growth Stage Model: The Matching Logic Between Stage Demands and Innovation Directions

Taking the four-stage model of "start-up–expansion–maturity–diversification" by Gersick et al. (1999) as the analytical framework, it can be found that the innovation practices of seven enterprises present characteristics highly compatible with the core bottlenecks of each stage, forming a clear causal chain of "stage demand → innovation direction → stage breakthrough". During the start-up stage, enterprises generally face the dual challenges of weak technological foundation and low market recognition. Their innovation practices mostly focus on the integration of localized technologies and the exploration of low-risk business models. By combining home country technologies with local resources and adopting a composite business form, they reduce entrepreneurial risks and ultimately achieve initial market penetration in the region and lay the foundation for survival. After entering the expansion period, insufficient production capacity and single channels have become the main factors restricting development. The direction of innovation has shifted to enhancing production capacity and expanding channel models. Enterprises have achieved a significant expansion of production capacity and a rapid extension of market coverage by introducing automated production technologies and expanding business cooperation forms. The core bottleneck in the mature stage is manifested as product homogeneity and weak brand premium capacity. Innovation practices focus on technological upgrading and differentiated product development. By introducing advanced production technologies and developing characteristic product lines, the added value and market competitiveness of products are enhanced, promoting the transformation of enterprises from "scale-oriented" to "value-oriented". During the diversification stage, market saturation and weak risk resistance have become key issues. Enterprises can break through the ceiling of regional markets by expanding business categories and innovating business models, build a multi-business collaborative development pattern, and enhance their ability to cope with market fluctuations.

4.3 Driving Mechanism of Intergenerational Inheritance: The Impact of Intergenerational Capability Differences on Adaptation and Innovation

Intergenerational inheritance, as the core feature of the development of Chinese family businesses, profoundly influences the direction and effectiveness of cultural adaptation and innovation during the process of ability transmission. The differences in core capabilities among different generations have formed differentiated practical paths and breakthrough effects. The capabilities of the first-generation immigrant entrepreneurs are focused on the integration of local resources and the establishment of ethnic networks. By using local raw materials as substitutes and relying on the networks of fellow townspeople to expand customers, they lay a foundation for the local survival of their enterprises and effectively break through the resource scarcity barriers in starting businesses in foreign places. The core goal of such practices is to achieve the "local rooting" of enterprises. The second-generation local-born successors pay more attention to the application of modern management capabilities and cross-ethnic communication skills. By introducing standardized management sys-

tems and promoting cross-ethnic business cooperation, they break the previous operational limitations within the ethnic group of the enterprise, extend the business to a broader local market, and achieve the transformation of the enterprise from a "survivation-oriented" to a "growth-oriented" one. The three generations and their successors, with a global perspective and technological integration capabilities, focus on international resource connection and strategic innovation. By conducting international cooperation, introducing digital technologies, and expanding overseas markets, they drive the enterprise to break through regional market limitations and transform into an international and modern enterprise, building a long-term sustainable development competitiveness.

4.4 Practical Implications: The "Adaptation-Innovation" Decision-making Logic of Chinese Enterprises in a Multicultural Context

Based on the above analysis, the "adaptation-innovation" decision-making logic of Chinese family businesses in different development scenarios under a multicultural background can be extracted, providing a practical framework for reference for similar enterprises. For traditional manufacturing industries, during the start-up period, emphasis should be placed on the rational utilization of local raw materials and the localization improvement of processes to address the issues of raw material dependence and technological weakness. After entering the mature stage, efforts should be made to promote technological upgrading and product differentiation in line with policy guidance, and break through the predicament of overcapacity and homogenization. During the expansion period, cultural-related industries need to focus on the integration and innovation of cultural symbols to enhance brand recognition and market acceptance. During the diversification stage, a global layout can be achieved through international cooperation and category expansion. The service industry for people's livelihood should give priority to solving the problems of religious compliance and adaptation to consumption habits. In the start-up stage, the market can be opened up through religious certification and scenario-based product design. In the expansion stage, it can rely on the application for official qualifications and supply chain integration to enhance market coverage and customer trust. The core of all kinds of practices lies in the fact that cultural adaptation needs to precisely match the target barriers, the direction of innovation needs to align with the core demands of the enterprise's development stage, and intergenerational capabilities need to form synergy with strategic goals, so as to achieve the continuous growth of the enterprise.

5. Embracing Innovation Through the Evolutionary Stage Model in Chinese Family Businesses

Chinese businesses in Malaysia have skillfully navigated market dynamics by closely observing local trends, enabling them to adapt their products effectively for international markets while promoting the Nanyang brand abroad. These enterprises have acknowledged the need to modify their production methods and adopt strategies that enhance their market reach. This adaptability mirrors a broader trend among the new generation, which embraces mainstream Western and Japanese norms in their production practices, fostering a culture of innovation and responsiveness to global market demands (Ismail et al., 2025; Ng et al., 2024). Innovation is essential for the sustainability and growth of businesses, particularly in rapidly changing markets. Chinese family businesses have historically demonstrated a remarkable ability to evolve and innovate, utilizing the Evolutionary Stage Model as a framework for development. All these successful Chinese family businesses, showcasing how they have navigated generational changes and embraced innovation at each stage of their evolution.

5.1 Fung Keong Rubber Manufactory

Fung Keong Rubber Manufactory (FKR) exemplifies a business that successfully evolved through four distinct stages: startup, expansion, maturity, and diversification. Initially established in 1920, the company made a name for itself by blending traditional craftsmanship with innovative technologies. In its early years, FKR produced canvas shoes, leveraging the boom in rubber products during its expansion phase. The company later diversified into motorcycle tires, optimizing production processes to meet rigorous European standards after being acquired by a Thai manufacturer. This adaptability highlights how FKR embraced innovation by continuously improving product quality and expanding into new markets.

5.2 Boon Wah Co. Textile

Boon Wah's journey illustrates a similar commitment to innovation. Starting as a small textile shop for Chinese migrants in the 1940s, it catered to a new generation by offering high-quality, imported textiles. Over time, Boon Wah specialized in luxurious Chinese brocades that paralleled local cultural appreciation and foreign interest. The business's ability to identify and focus on niche markets, while adapting to changing consumer preferences and trends, enabled it to flourish even amidst increasing competition. Importing luxurious textiles from various countries enhanced its product offerings, illustrating the importance of diversification in sustaining growth.

5.3 Eu Yan Sang

With a history that spans over 150 years, Eu Yan Sang has evolved from a local herbal medicine shop into a global integrative healthcare powerhouse. The first stage of its evolution involved establishing a strong foundation in traditional Chinese medicine. The second generation expanded its operations significantly, diversifying into multi-

ple industries, including tin mining and rubber production. The company is currently recognized for embracing modern medical practices by integrating Western standards into its traditional offerings. By forming partnerships with modern health entities, Eu Yan Sang illustrates how innovation can harmonize traditional and contemporary practices, expanding customer reach and satisfaction.

5.4 Royal Selangor International

Royal Selangor International, a leading pewter manufacturer, began with a focus on traditional ceremonial items but swiftly adapted to market demands by diversifying its product range. The company's expansion incorporated Western aesthetics and trends, significantly influencing its design philosophy. Innovative collaborations with contemporary artists and a foray into new markets, such as high-end retail, exemplify Royal Selangor's strategy of embracing change while respecting its heritage. This dual focus has allowed Royal Selangor to maintain relevance and appeal across diverse consumer bases.

5.5 Kum Thim Food Industries

Kum Thim Food Industries highlights the importance of cultural adaptation in business evolution. Initially starting as a cottage industry, it embraced innovation through market research and product development tailored to the Halal food sector. The company diversified its offerings by developing various sauces designed for the hospitality industry, and now enjoys a significant market share as Malaysia's largest supplier of Yee Sang. This case study demonstrates that understanding cultural preferences and customer needs can drive substantial business success.

5.6 Guppy Plastic Industries

Guppy Plastic Industries presents another example of successful adaptation and innovation in a competitive market. Founded by an immigrant who understood the rising demand for plastic products, Guppy initially focused on aquarium supplies. Over the years, it diversified significantly, venturing into different sectors including agriculture and medical supplies. The application of cutting-edge technology and establishing overseas operations underscores Guppy's commitment to innovation, which has transformed it into a robust player in the global market. However, Guppy's trajectory also reveals the vulnerabilities faced by family SMEs. The company's eventual acquisition by a Japanese firm underscores the challenges of intergenerational succession and sustained innovation in a competitive global market. Despite its technical diversification, the business encountered difficulties in transitioning from a family-operated model to a corporatized structure capable of continuous R&D investment. This reliance on external acquisition to revitalize the business highlights a potential failure point in the adaptation-innovation pathway: the inability to internally generate the capital and managerial expertise needed for the diversification stage, as outlined by Gersick et al. (1999).

5.7 Jimmy Choo

The story of Jimmy Choo reflects a successful transition from a local cobbler to an internationally recognized luxury brand. The founder learned traditional shoemaking and then embraced opportunities to innovate when his designs captured the attention of influential public figures. The brand's growth phase was characterized by strategic partnerships and expansions into new product lines, including accessories. By maintaining a clear focus on quality and craftsmanship, while also adapting to market demands, Jimmy Choo illustrates the crucial balance between innovation and tradition. The Jimmy Choo success story is equally instructive for its challenges. The sale of the brand and the founder's eventual exit illustrate the potential conflict between cultural heritage and global commercialization. As the brand scaled, its connection to its Nanyang roots and the artisanal, family-based craftsmanship that defined its early identity became increasingly difficult to maintain. This case aligns with Berry and Sam's (1997) concept of "assimilation"—where a minority culture adopts the mainstream culture at the expense of its original identity. For family businesses, this can result in a loss of the unique cultural capital that fueled their initial innovation, raising questions about long-term brand authenticity after ownership transfer.

Overall, these case studies collectively emphasize that Chinese family businesses can effectively embrace innovation by adhering to the Evolutionary Stage Model, navigating through stages of startup, expansion, maturity, and diversification. By blending traditional practices with modern business strategies, these enterprises have not only thrived but have also set benchmarks for future generations. Innovation, driven by cultural understanding and strategic adaptability, remains the cornerstone of their enduring success in a competitive global landscape. Through these examples, it becomes clear that the ability to adapt and innovate is indispensable for sustaining growth and relevance in today's ever-evolving business environment.

6. Inter-Ethnic Business Partnership in Chinese Businesses: Promoting Modernization in Malaysia

The landscape of Malaysian business is significantly influenced by inter-ethnic partnerships, especially within the Chinese community. These collaborations play a crucial role in modernizing the economy and facilitating the integration of Malaysian enterprises into the global marketplace. This analysis explores how traditional Chinese businesses have evolved through cross-ethnic collaborations, contributing to their growth and the overall modernization of the Malaysian economy.

Chinese immigrants began establishing businesses in Malaysia over a century ago, primarily concentrating on

key sectors such as textiles, manufacturing, and food services. Throughout their history in the country, these enterprises have benefitted from inter-ethnic partnerships with local Malays, Indians and overseas Multinational Corporations (MNCs) such as US and Japanese firms, fostering a dynamic and diverse business environment. Such collaborations have enabled these businesses to leverage different cultural insights, skills, and market knowledge, enhancing their competitiveness and adaptability.

Fung Keong Rubber Manufactory (FKR) illustrates the evolution of Chinese enterprises through strategic inter-ethnic partnerships. Founded by Cantonese immigrants, FKR originally focused on producing canvas shoes. However, in response to changing market demands, the company pivoted towards manufacturing motorcycle tires. This transition was facilitated by collaborations with Bumiputera Malay resellers, enabling FKR to capitalize on the increasing demand for motorcycles throughout Southeast Asia. Furthermore, the acquisition of FKR by a Thai company brought about technological advancements that modernized its production processes while catering to local consumer preferences. The partnership with Bumiputera resellers not only expanded FKR's market reach but also enhanced the brand's acceptance among a diverse consumer base.

Another notable example is Boon Wah Co. Textile, located in Penang. Initially specializing in textiles tailored for the Chinese community, Boon Wah recognized the need for diversification in its offerings. To cater to a broader clientele, including prestigious customers from various backgrounds, the company modernized its approach by incorporating elements of Malaysian culture into its designs, particularly through the Nanyang aesthetic. This inter-ethnic collaboration enriched Boon Wah's offerings and enabled it to engage successfully with a wider audience, appealing to both local and international markets.

Eu Yan Sang, a traditional Chinese medicine company initially serving local Chinese immigrants, has evolved into a global player in the health and wellness sector. The company's strategic expansion involved collaborating with Western-trained professionals to ensure the quality and credibility of its offerings. These partnerships fell beyond local ethnic communities and attracted significant foreign investments. This transformation modernized Eu Yan Sang's operations, aligning them with international standards and enhancing its market presence.

The story of Royal Selangor International further exemplifies the impact of inter-ethnic collaboration. Renowned for its pewter craftsmanship, Royal Selangor shifted its focus from traditional items to innovative designer collaborations and luxury goods targeted at global markets. By establishing joint ventures with international firms, the company integrated cutting-edge designs and innovative practices into its classic pewter crafting. This evolution highlights how traditional craftsmanship can modernize through partnerships that appeal to a diverse, multicultural audience while promoting Malaysia's unique cultural heritage on international platforms.

Lastly, Kum Thim Food Industries reflects the impact of inter-ethnic connections in the culinary sphere. Initially catering exclusively to the Chinese culinary market, the company expanded its portfolio to include Halal-certified products. This transition demonstrates how inter-ethnic food collaborations address Malaysia's multicultural demands. By adapting traditional Chinese recipes to create Halal offerings, Kum Thim successfully integrates cultural considerations into its business model, meeting local consumer preferences while also appealing to international Muslim markets.

The inter-ethnic collaborations demonstrated in these case studies have enabled Chinese businesses in Malaysia to adapt, innovate, and expand within a rapidly globalizing market. By melding diverse cultural insights and practices, these enterprises have created products and services that resonate with a wide array of consumers, enhancing their competitiveness on both local and international stages.

Such partnerships have empowered businesses to access new ideas and technologies, reinforcing their capacity for innovation and modernization. Furthermore, a focus on cultural sensitivity has fostered brand loyalty and established strong consumer bases. Moreover, leveraging networks that span different ethnic and cultural lines has facilitated entry into international markets, attracting foreign investments and expanding business opportunities.

The evolution of Chinese businesses in Malaysia through inter-ethnic partnerships has spearheaded modernization efforts, allowing these companies to position themselves effectively in the international arena. By embracing cultural diversity and collaboration, these enterprises preserve their heritage while evolving to meet the demands of a globalized economy. As Malaysia continues to foster these partnerships, it is poised for further integration and prominence within the global market landscape, ensuring sustainable growth and success for its businesses. This analysis underscores the significance of inter-ethnic collaborations in promoting modernization and enhancing the global competitiveness of Malaysian enterprises.

Notably, there exists a significant dynamic coupling relationship between the internationalization process of family firms and their intergenerational evolution. After the first generation of immigrant entrepreneurs laid a solid foundation in the local market, the second-generation managers often promoted regional expansion through inter-ethnic cooperation or transnational partnerships. By the third generation, these firms, leveraging their global perspective and technology integration capabilities, further advanced the diversification and internationalization of their businesses. This progressive process not only refines the theoretical connotation of the "diversification stage" in the stage model but also supplements the mechanism linking "intergenerational capability transfer" and "international-

ization strategy implementation" for family firms in cross-cultural contexts, thereby further improving the adaptability of the stage model theory to the scenario of Chinese family businesses.

This study's core contribution to the stage model theory (Gersick et al., 1999) lies in addressing its limitations: the traditional model, based on Western large enterprises, overlooks the uniqueness of ethnic minority SMEs in multicultural contexts (e.g., inter-ethnic interaction, cultural adaptation). Using Malaysian Chinese enterprise cases, this study first incorporates "inter-ethnic cooperation" as a core driver in the "maturity-diversification stage", correcting the traditional model's focus on internal management only; it also identifies "intergenerational capability transfer" as a key mediating variable for stage transition, adding a "humanistic dimension" to the model and complementing its over-reliance on market/technology.

7. Conclusion

A review of Chinese family-based businesses operating in Klang Valley and Penang reveals several important trends from a historical business perspective, particularly in how they drive innovation. Ethnic identity plays a significant role in these enterprises. As noted by Whah (2017), businesses rooted in specific ethnic traditions often prioritize differentiation and respond to culturally influenced demands. This observation is particularly relevant for SMEs founded by Chinese immigrants from Canton during the first generation in Klang Valley and Penang, where unique market demands—including particular medical services, apparel, shoe manufacturing, and textiles—have created opportunities for these businesses to flourish. The lack of specific skills in manufacturing certain products has allowed entrepreneurs to fill these market gaps effectively.

As these family-owned SMEs transition through generations, they tend to adapt their service offerings instead of relying solely on the traditional services inherited from their founders. When leadership passes from the immigrant generation to their Malaysian-born descendants, noticeable changes in product and service offerings become apparent. The subsequent generations increasingly recognize the importance of long-term investments in equipment, research, and development, leading to a shift toward more innovative practices. Consequently, these businesses cannot be classified merely based on their "ethnic style"; they are evolving to meet changing market demands and are exploring new opportunities. This generational evolution, where shifts in leadership directly catalyze strategic and product innovation, provides a clear answer to how the synergy between stage model evolution and intergenerational inheritance enables these businesses to maintain market prominence.

Evidence suggests that the emerging generation of innovation-driven entrepreneurs—such as Eu Yan Sang, Guppy Plastic, and Jimmy Choo—are actively forging various business partnerships. This trend indicates a shift toward organizational development that emphasizes inter-ethnic collaborations rather than merely intra-ethnic competition. While rivalry among businesses within the same ethnic community persists, inter-ethnic ties have proven beneficial, driving substantial changes in product offerings and enhancing the organizational complexity of these Chinese enterprises. With improved education and access to resources, younger leaders are well-equipped to develop their companies and collaborate with individuals from diverse backgrounds. As a result, once the second generation assumes control, many of these companies undergo considerable transformations in their organizational structures and target markets. These strategic partnerships and the resulting product innovations demonstrate that cultural adaptation acts as a prerequisite for cultural innovation, and this 'adaptation-innovation' pathway is indeed crucial for sustaining business growth and modernization.

Recognizing the diversity among sub-ethnic Chinese groups—such as Cantonese, Chaozhou, and Hakkas—within this study is essential, as each group contributes uniquely to the local business landscape. For instance, as mentioned by Yew and Wong (2025), Chaozhou entrepreneurs are notably active in the plastics industry, while Hakka and Cantonese businesses often focus on niche markets such as Chinese herbal medicine and snacks, reflecting their cultural heritage. Furthermore, Chinese family-based SMEs increasingly adapt their products to align with local preferences and market trends. By responding to urbanization and changing demographics, these businesses are innovating to blend tradition with modern tastes, which is crucial for success in a competitive environment. Firms that broaden their product offerings tend to thrive. This ongoing process of localization and product adaptation vividly illustrates how Malaysian Chinese family businesses have promoted intergenerational modernization, successfully transitioning from Chinese immigrant roots to localized Nanyang ventures.

Despite these adaptations for growth, an intriguing trend among long-established Chinese family-based SMEs in Malaysia—such as Fung Keong, Eu Yan Sang, and Guppy Plastic—is the diminishing desire for independence as family capitalism shifts towards joint ownership or mergers. The upcoming generation appears less inclined to lead the family business. Many of these young leaders prefer flexible and professional work environments. This tendency transforms the original business model to adapt to industrialization and disruptive technologies, which are defining characteristics of the current landscape.

The competitive spirit and drive for innovation among Chinese family-owned enterprises in Malaysia not only highlight their resilience but also showcase the dynamic nature of the rapidly changing technology landscape and evolving consumer preferences in Klang Valley and Penang.

In conclusion, by tracing the themes of generational transition, strategic adaptation, and innovative localization outlined above, this study directly addresses its core research questions. It reveals the synergistic mechanisms that underpin the sustained market prominence of Malaysian Chinese family businesses, confirms the critical 'adaptation-innovation' pathway they follow, and documents their successful evolution into rooted Nanyang ventures.

Abbreviations

SMEs, small and medium enterprises; TCM, traditional Chinese medicine; HDC, Halal Development Corporation.

Availability of Data and Materials

The datasets used and analyzed during the current study are available from the corresponding author on reasonable request.

Author Contributions

BHL designed the research study and engaged in discussions with LKY, an expert in Chinese businesses in Malaysia. BHL conducted fieldwork through in-depth interviews for all the cases outlined. Following the data collection, LKY analyzed the interview transcripts using coding analysis. BHL and LKY collaborated on writing the manuscript, with LKY primarily responsible for the analysis section, while BHL contributed to the introduction, literature review, and conclusion. Both authors participated in editorial revisions and have read and approved the final version of the manuscript. Both authors are accountable for all aspects of the work.

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Conflicts of Interest

The authors declare no conflicts of interest. Lee Kean Yew is serving as one of the Editorial Board members of this journal. We declare that Lee Kean Yew had no involvement in the peer review of this article and has no access to information regarding its peer review. Full responsibility for the editorial process for this article was delegated to Thomas Steger and Rainhart Lang.

Declaration of AI and AI-Assisted Technologies in the Writing Process

During the preparation of this work, the authors employed ChatGPT-3.5 to enhance the clarity and style of the sentences, as well as to check spelling and grammar. This was particularly important given that the interviews were conducted in either Chinese Mandarin or various dialects, reflecting the generational differences among the participants. After utilizing this tool, the authors thoroughly reviewed and edited the content as needed and take full responsibility for the publication's content.

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