

NUMBER OF FAMILY MEMBERS AND FAMILY BUSINESS STATUS EXPLAINED THE LEADERSHIP POSITION IN COMMUNAL ACTIVITY OF FOOD PROCESSING ENTREPRENEUR FOR POVERTY ERADICATION IN RURAL MALAYSIA

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ABSTRACT

A total of 735 rural entrepreneurs were selected and sub sampled from 2,093 rural enterprises of Women Extension Group (KPW) under the governance of Malaysia Department of Agriculture (DOA). They are producing processed food products, which is a popular industry to eradicate rural feminism poverty. The main objective of this paper is to explore the leadership positions of rural entrepreneurs in communal activity in relation with type of business ownership. Then, follows by identifying factors explain the active group of entrepreneurs in communal activities. To summarize, five types of community activities were traced - politics, religion, community, socio-economy and parent and teacher association (PIBG). The leadership score for entrepreneurs in company was high for political activity, while for entrepreneurs in all other types of business ownership their leadership scores were high in socio-economic activity. By sex of entrepreneurs, it may be concluded that entrepreneurs who usually have a leadership position in political activities have a tendency to develop their enterprise. By dividing leadership score into two groups – active and less active, as dependent variable; against gender, family business status, size of business, registration status and number of family members, as independent variables; Binary Logistic Regression obtained (p<0.05) that an active group can be explained by number of family members and family business status. Every one additional family member may decrease about 36.1% the likelihood of one respondent in this study to be in active group. Despite offering opportunity for networking, leadership positions require a lot of time and high commitment. For rural women with many children under their care, to active in communal activities is almost inconceivable. Non-family business status may reduce about 37.6% likelihood of one respondent in this paper to be in active group. Thus, especially for rural women enterprises, they had to operate in form of family business to success. Family business status may reflect potential of development in rural women business, which is good for family business development. No significant relationship between other dependent variables with the likelihood of the respondent to be in active group level in this study.

Key words: poverty, micro enterprise, feminism poverty, rural, leadership

INTRODUCTION

Malaysia had identified entrepreneurial development as one of the strategies to uplift the living condition of the households, especially in rural areas. The Micro Enterprise (ME) is helping with poverty alleviation as well as improving the economic status of rural families. In addition, it is able to empower women socially and economically (Jariah *et al.*, 2009; Woldie and Adersua, 2004; Dao, 2004; ILO, 2000). Malaysian rural MEs have always been closely associated with women-managed enterprises, especially among housewives and single mothers and exist at the smallest or micro scale. MEs are popularly known for poverty alleviation and empowering women (Maimunah, 2001; Jariah and Laily, 1995; Chee, 1986). Thus, it is not surprising that most third world countries are actively supporting the development of micro and small scale enterprise. In Malaysia, MEs are linked to the poverty eradication effort in the rural areas as well as promoting national economic development.

Women's income from ME contributes significantly, up to 30 percent of the household income (Jariah and Laily, 1995) and 50 percent of women entrepreneurs' income is used for household expenses

(James *et al.*, 2002). Efforts to promote rural economic development through ME activities in Malaysia started in 1951 through the Rural Industrial Development Authority – RIDA (Malaysia, 2003). In 2010, after 53 years of independence there is still little information about the profiles of the ME entrepreneurs to properly address the issue of scaling up the enterprise.

However, little is known about the reasons behind the failure or success of rural enterprises (Still and Timms, 2000). Malaysian rural enterprises are always micro in size (Maimunah, 2001; Jariah and Laily, 1995) with less than five workers (Maimunah, 2001; Still and Timms, 2000). The social landscape of rural enterprises is strongly associated with the local socio-culture and family system. The informality of the enterprises operation and the dominance of the entrepreneurs themselves make them dynamic and unique. To address the issue of how dynamic rural enterprise development is seems a prerequisite for a fuller understanding, because knowledge of the developmental indicators of rural enterprises can assist in scaling them up. According to Zumilah (2010), three important indicators of ME developed ME are registration status, family business status and business size by number of workers. Measuring rural entrepreneurs' size by number of workers were also discussed in Zumilah (2008), Maimunah (2001), and Still and Timms (2000).

Leadership positions in communal activities are linked to leadership skill in running the enterprises as well as business networking. Having a leadership position in any social activity and association is inclusive a 'political' process. For rural women's enterprises, in particular, socio-culture and tradition are great obstacles for their success in which political activities are embedded (Brandser, 1996). This local political activity is an additional duty for a woman on top of her traditional duty at home and formal duty in the business operation. This could be another reason why some developing rural women enterprises have been transferred to men.

Entrepreneurship is actually a function in society that involves interaction as well as conflict (Lindsey, 1990). It is impossible to ignore socio-culture when discussing the issue of entrepreneurship. Therefore, the involvement of entrepreneurs in their community activities is crucial. The reciprocal of survival strategies in rural areas notion involves social inclusion between affiliation, social utility and redistribution (Meert, 2000). The involvement of entrepreneurs in community activities is known as community activism (Westall *et al.*, 2000), which was divided into two categories by Maimunah (2001) and Vickery (1998). The first is community welfare activities such as religious activities; local social gatherings such as marriage parties, funerals and open houses; seasonal activities such as communal work, and adult education including religious classes and academic classes for children. The second is social agent, such as a sponsor or organizer.

The typical characteristics of a ME include – owner-manager, run by women in rural areas, entrepreneurs with low level of academic achievement, low level of technology, low amount of capital, low level of knowledge in management and very small production (Maimunah, 2001; ILO, 2000; AsDB, 1998; Jariah and Laily, 1995) in which the ownership and policy making is dominated by family members (Degadt, 2003). Though the characteristics mentioned reflect a low potential to scale up, some of them have been scaled up and the developmental factors associated with their success require a study.

For this paper, the social community of an enterprise comprises the local people surrounding them. The social community supplies social and material resources for the enterprise in addition to the most important role as a 'market' for enterprise products. Entrepreneurship involves the interaction with members of society to meet their needs in day-to-day life (Bruni *et al.*, 2004) and bring changes to the society (Gibbs, 1972). For example, community and mothering work are intimately connected to community networking (O'Hara, 1998; Little, 1997). However, the women's work is invisible behind men (Whatmore, 1994).

The women's position in political leadership is significantly influenced by the political background of their family (Lindsey, 1990). Although their contribution is invisible in male-owned businesses, their political affiliation or networking is vital for the development of the business. For example, the importance of a family network to gain capital in family business was highlighted by Dyer and Mortensen (2005). Community activism and networking were examined in a study by Westall *et al.* (2000), and significantly influence business performance.

The local state agencies intervention can support the development of a business network (Phillipson *et al.*, 2006). In order to understand the behaviour of rural business, it is necessary to consider the social structure and the social, familial or geographical networks and relationship within which the small business and the owners are embedded (Steyaert and Kartz, 2004). For medium and large business, leadership in political activities is significant and has a positive association with the profit of family business (Imai, 2006).

This paper is focusing to the leadership position of the entrepreneur in the society and was termed as communal activism. Development Model of Family Business (DMFB) by Rutherford *et al.* (2006) and approaches used in Zumilah (2010) to measure ME development were used to define three variables of development – formality, family involvement and size. DMFD underlined two variables – gender and number of family member. Five variables were used to measure the likelihood of respondents to be in active group and have high leadership position score in communal activities.

The objectives of this paper are to explore patterns of communal activities of respondents in two aspects - type of activities; and leadership position score; which were presented by gender and type of business ownership. At the end of the discussion, this paper aim to predict best indicators explain the respondent likelihood to be in active group of communal activism. In other word, entrepreneurs who are active in communal activities may help their enterprise to scale up, through business networking.

RESEARCH METHOD

The scope of this research covers the development from MEs to SFBs. Initially, all the enterprises were run by entrepreneurs from Women's Extension Group members, or popularly known as Kumpulan Pengembangan Wanita (KPW) in the Malay language. As this study uses the population of KPW in Peninsular Malaysia, and only focuses on the processed food enterprises as sub sample; this may reduce the percentage of respondents taken into consideration which only 735 enterprises of processed food products were chosen (35.1% of population). However, more meaningful implications can be developed for the development of processed food industry for rural poverty eradication in Malaysia.

Initially, these were all ME and, in this study, those enterprises that remain in KPW are categorised as ME. They had developed into several stages but some of them have remained at the stage of ME. The focus of this study is on those that scaled up to SFB. The profiles of the rural entrepreneurs, their families and their enterprises backgrounds were explored to understand the background and the dynamics of rural enterprises. All the developmental indicators were then measured and tested to identify the most significant indicators in predicting the likelihood of those variables in the development of ME to SFB. In addition to the coverage, this study also underlines several new concepts and constructs of rural enterprises and their dynamics in development issues.

Only processed food enterprises are chosen as the majority of entrepreneurs in the rural areas are in the processed food industry. In addition, it is easy to start because of the low capital needed and cooking skill, which is part of the indigenous knowledge of Malaysian rural folk, especially women. Thus, processed food enterprises are more suitable for poverty eradication in rural areas. Indeed the Malaysian government is promoting downstream and upstream industries in agriculture based as well as micro business in the Satu Daerah Satu Industri (One District One Industry) programme.

The DOA was selected since it is the only agency with comprehensive coverage throughout Malaysia. One of the DOA objectives is to develop rural areas through income generating activities in agriculture based industries (Malaysia, 2005). There are several other agencies including Wanita Dinamis FELCRA (WADIRA), which is only for Federal Land Consolidation and Rehabilitation Authority (FELCRA) settlers; Perkumpulan Wanita Pekebun Kecil (PWPK) for Rubber Industries Smallholder Development Authority (RISDA) settlers; Satu Wilayah Satu Industri(SAWARI) for the Federal Land Development Authority (FELDA) and Kumpulan Nelayan Wanita (KUNITA) under the governance of the Fisheries Development Authority (Lembaga Kemajuan Ikan Malaysia - LKIM) (Malaysia, 2004). This study only focuses on KPW in Peninsular Malaysia due to budget constraints. The data collection process of this study was financed by Universiti Putra Malaysia (UPM) Research University Grant Scheme (RUGS).

The leadership score is in five types of activities: politics, religious, society-related, socio-economic and parent teacher association (PIBG). The total of activities reported concerned responses as each entrepreneur was allowed to state a maximum of five activities. In total, there should be 3,675 responses but only 1,057 (29% of 3975) were received. Since there were five activities reported, the maximum n=259 entrepreneurs and the minimum was n=20; out of which 64% of 1,057 responses (n=471) had given their leadership position and 20% of the positions were in the top four highest portfolio (president, deputy president, secretary and treasury). This was followed by 22% committee members and 58% ordinary members. This study obtained 876 responses about leadership position, less 181 responses from the total number of responses in type of activity (n=1,057). These 181 entrepreneurs were treated as ordinary members in the respective type of activity in this study.

Six leadership positions in social activities were president, deputy president, secretary, treasurer, committee member and ordinary member, which were given a ranking score from 6 to 1, respectively. The highest position score should be 30 for 5 activities with a score of 6 each (all are president) and the lowest score=5 for 5 activities with 1 score each (all are ordinary member). If the score is zero, the respondent may not involve in any social activity. This leadership score was divided by two in order to get two groups – active and less active; in dichotomous of dependent variable. The independent variables were five variables – gender, number of family members, formality, family involvement and size. Five variables were used to measure the likelihood of respondents active and have high leadership position score in communal activities.

RESULTS AND DISCUSSION

The majority of Malaysian rural entrepreneurs in this study were female, were slightly older than the male entrepreneurs and had been involved in enterprise at a similar age as the male entrepreneurs. Although the majority were married, had completed 11 years of formal schooling in Malaysia and were from the North region, the majority of female entrepreneurs were less educated, had less entrepreneurship experience and less leadership position score in political activities than male entrepreneurs. Table 1 shows the highest number of respondents (female) are in politics, then second highest are both in religion and communal activity and the third highest are in socio-economy activity, the lowest are in PIBG. Male respondents' distribution from highest to lowest leadership scores are in politics, religion, communal activity, socioeconomy and PIBG activity. This similar pattern was in sole proprietor and partnership type of business ownership. The distribution of respondents in KPW and company type of business ownership was high for political activity. In partnership and sole proprietor the leadership scores were high in socio-economic activity. When considering male respondents and company type of business ownership, it may be concluded that entrepreneurs who usually have a leadership position in political activities have a tendency to develop their enterprise (Zumilah, 2010). Mean differences were significant in politics and socio-economy between male and female entrepreneurs; and in religion and community activities for all type of business ownership. There were no mean differences in other type of social activities.

Table 1. Number of respondent by type of social activity, gender, and business ownership (n = 735)

Type of social activity	Male n=101	Female n=634	KPW	Sole Pro- prietor	Partnership	Company
Politics	31	270	92	175	32	2
Religion	29	235	90	149	25	0
Community	27	235	99	139	22	2
Socio-economy	8	185	54	122	15	2
PIBG	2	16	4	12	2	0

Note: The number was bold for p<0.05

There were six leadership positions with score from 6 to 1 respectively was given for the highest position score =6 for president; throughout to the lowest score= 1 for ordinary member. The mean leadership score is 1.4, the maximum score=7 and the minimum score = 0 (no participation at all in any social activity). By dividing the maximum score = 7 by 2, the result is 3.5. This result is used to divide the leadership score into two groups – active and less active. There are 539 (73.3%) respondents in less active group, and 196 (26.7%) respondents in active group. A cross tabulation of these two groups and type of business ownership obtained no significant different in mean leadership score. The distribution of the leadership score levels by gender and type of business ownerships are in Table 2.

Two variables (number of family member and family business status), were significant (p<0.05) in explaining 'active group – respondent with high leadership score', in this paper. One additional family member may decrease about 36.1% the likelihood of one respondent in this study to be in active group. Non-family business status may reduce about 37.6% likelihood of one respondent in this paper to be in active group. No significant relationship between other variable with the likelihood of the respondent to be in active group in this study (Table 3).

Table 2. Number of respondent by level of leadership score, gender, and business ownership (n = 735)

Type of social activity	Male n=101	Female n=634	KPW	Sole Pro- prietor	Partnership	Company
Less score	81	458	158	331	42	8
High score	20	176	58	119	17	2

Note: All test show p>0.05

Table 3: Wald Chi Square table, (Active=1)

Variable	В	S.E.	Wald	df	Sig.	Exp(B)
Gender	388	.271	2.047	1	.152	.678
Number of family member	448	.103	18.968	1	.000	.639
Family business status	471	.182	6.692	1	.010	.624
Formality status	166	.204	.659	1	.417	.847
Business size	.146	.243	.362	1	.547	1.158

Note: All test show p>0.05

A few scholars in Malaysia have indicated that rural MEs in Malaysia are associated with women-managed enterprises (Maimunah, 2001; Jariah *et al.*, 1995; Chee, 1986). Although women's work is always invisible behind men (Beilin 1996; Ghorayshi, 1989), the community and mothering work are intimately connected to community networking (Grace and Lennie, 2002; Little, 1997). This networking helps the women in promoting their businesses. Male entrepreneurs had high leadership score in politics and female entrepreneurs had a high leadership score in socio-economic activities. The entrepreneurs with a high leadership score in politics were in company type of business ownership; and entrepreneurs with high leadership score in socio-economic activities were in partnership types of business ownership. In a patriarchal society it appears that it is easier for men to obtain positions of high leadership except if the position is truly feminine such as Ketua Wanita Bahagian or head of KPW. Despite offering opportunity for networking, leadership positions require a lot of time and high commitment. For rural women with many children under their care, without any support from their husbands, to be active in leadership in communal activities is almost inconceivable.

Leadership positions in communal activities are linked to leadership skill in running the enterprises as well as a business networking. Having a leadership position in any background of activity and association is inclusive of a 'political' process. For rural women's enterprises, in particular, socio-culture and tradition are great obstacles for their success in which political activities are embedded (Brandser, 1996). This local political activity is an additional duty for a woman in top of her traditional duty at home and formal duty in the business operation. This could be another reason why some developing rural women enterprises have been transferred to men.

To summarize, the key discussion is that special attention has to be given to Malays women and female headed households in poverty eradication programmes through income generating activities because Malays are the poorest among the Malay, Chinese and Indian ethnic groups, and female headed households remain marginalized from resources. The second point is that rural areas have a complex situation concerning economic activities due to the inequality between the quality level of human capital and compensation by salary. Thus, enterprising seems the best choice for rural dwellers to gain equal benefit if they have high academic achievement (Zumilah, 2012). Indeed, those with lower academic achievement can also benefit from enterprising activities. To increase the quality of human capital through formal or non-formal processes is crucial because entrepreneurship needs more than knowledge, rather it is how the knowledge can be embedded in the practice of skills and competencies in the business management process. Thus, communal activism can be important focus, because no matter which pattern of one background, they can involve in many type of social activities, which then can benefit their business from proper networking and high quality of social capital.

Limitation

Limitations in this study were the background of the enterprise; the entrepreneurs are KPW members in the processed food industry in the rural areas of Peninsular Malaysia, under the governance of DOA; approach and model used as in Zumilah (2010) and Rutherford *et al.* (2006); and the dataset used. As this study uses the population of KPW in Peninsular Malaysia, and only focuses on the processed food enterprises, this may limit the conclusions, implications and recommendations which only to 35.1% of the population of KPW in Peninsular Malaysia. KPW is an income generating group in rural areas for poverty eradication and for increasing the wellbeing of their life. Initially all of them were in social activity groups and run by women.

CONCLUSION

Patterns of communal activities of rural entrepreneurs are in two aspects - type of activities; and leadership position score; which were presented by gender and type of business ownership. For both male and female, the highest number of them are responded their involvement in politics, and the lowest are in PIBG. This similar pattern was in sole proprietor and partnership type of business ownership. The distribution of respondents in KPW and company type of business ownership was high in politic activity; but in partnership and sole proprietor the leadership scores were high in socio-economic activity. A cross tabulation of these two groups and type of business ownership obtained no significant different in mean leadership score among male and female respondent; as well as among various type of business ownership.

When considering male respondents and company type of business ownership, it may be concluded that entrepreneurs who usually have a leadership position in political activities have a tendency to develop their enterprise. Mean differences were significant in politics and socio-economy between male and female entrepreneurs; and in religion and community activities for all type of business ownership. No significant different for other type of business activities. This paper also aims to predict best indicators explain the respondent likelihood to be in active group of communal activism; which may concluded that each additional number of family member decreases the likelihood of entrepreneur to be in active group of social activism; and status of family business increase the likelihood of rural entrepreneur to be in active group of social activism. Despite offering opportunity for networking, leadership positions require a lot of time and high commitment. For rural women especially with many children under their care, to active in communal activities is almost inconceivable, which may in return their enterprises are hard to be developed. Thus, it is essential for rural women to run their enterprise as family business.

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