

**A COMPARATIVE STUDY OF BUSINESS ETHICS
AND ENTREPRENEURSHIP
IN THE UK AND CHINA**

TAO LU

A thesis submitted in partial fulfilment of the requirements of
Nottingham Trent University for the degree of Doctor of Philosophy

Nottingham Business School
Nottingham Trent University

January 2010

“This work is the intellectual property of the author. You may copy up to 5% of this work for private study, or personal, non-commercial research. Any re-use of the information contained within this document should be fully referenced, quoting the author, title, university, degree level and pagination. Queries or requests for any other use, or if a more substantial copy is required, should be directed in the owner(s) of the Intellectual Property Rights.”

Abstract

By investigating in detail the processes of sense-making in relation to the business ethics by entrepreneurs, this thesis aims to contribute to our understanding of entrepreneurs' perceptions of, and approaches to, business ethical issues. The primary research supporting this thesis was executed in two different cultural contexts, namely Nottingham in the UK and Shenyang City in China. This comparative approach was employed to enhance the theoretical contribution by taking into account the influence of institutional environments when considering business and entrepreneurship.

The study adheres to the social constructionist approach of Berger and Luckman (1967), and applies the sense-making theory of Weick (1979, 1995, 2001) and discourse analysis in developing an original conceptual framework. Grounded in the qualitative methodology, this study employs unstructured interview methods and also incorporated the elements of reflexivity and ethnographic features. The focus of analysis is on how entrepreneurs from different social-cultural contexts understand, interpret and respond to ethical issues that arise in their relationships with main stakeholders, namely employees, customers, suppliers and government. The analysis of the data provides empirical support for the neoinstitutional theory, which gives increasing attention to institutional change and the voluntaristic role of agency.

As a result of in-depth analysis and evaluation of the gathered data, the most relevant ethical issues are identified in detail and important common themes are highlighted. The thesis demonstrates that the entrepreneurs' need for achievement, locus of control and self-efficacy have a significant influence on the process of making sense of ethical issues. Though Chinese entrepreneurs share many of the self-interested concerns of their British counter-parts, the ethical issues with which they are confronted arise in a much more complex institutional environment. As a result, Chinese entrepreneurs have a much wider range of materials and diversified templates to guide and enlighten their sense-making efforts. The range of cultural and legal institutional environments observed inform different patterns of actions and the templates associated with being an entrepreneur and highlight significant differences between Chinese and British entrepreneurs when dealing with the various commercial relationships. So, Chinese respondents gave more attention to power, status, and personal relationships, whereas British respondents emphasised the importance of the legal/contractual bases of relationships in guiding their behaviours.

The level and scope of analysing marches in contributing to advance knowledge, but also of practical value to a number of interest groups, notably government, commercial actors, and employees, who as stakeholders are directly influenced by the ethical decisions of entrepreneurs. The findings could also inform government legislation and policy discussions aimed at promoting ethical entrepreneurship, as a broad account of the ethical dilemmas and issues faced by entrepreneurs in the UK and China on a routine basis is offered.

Acknowledgements

My understanding and analysis of the collected data and theoretical arguments presented in this thesis owes much to many people. They have made contributions, without which the successful completion of PhD would not have been possible.

I would like to express my sincere gratitude to my Director of Studies, Professor Colin Fisher and second supervisor, Dr. Dalvir Samra-Frederick. I am grateful for their guidance and support in editing my presented findings and other important aspects of my thesis. This has provided me with valuable insights and suggestions that have greatly aided my development of the conceptual framework of the thesis.

I am further grateful to Nottingham Trent University for giving me the opportunity to undertake this research and particularly for the research studentship which has helped to finance my postgraduate study at Nottingham Business School.

Special thanks go to all the participants for their contribution.

Thank you to my parents and my brother, who always believed in me and encouraged and supported me in every possible way. Without their support this thesis would not have been completed.

Finally, special thanks to my dearest wife, Mrs. Piyanuch Preechanont, who always encouraged me to pursue my goals. Our knowing each other begins with the PhD study as she is also one of my PhD colleagues. Our affection has deepened as the PhD study proceeded. Without her support, I would never have the courage and confidence required to complete this thesis.

Table of Contents

ABSTRACT.....	1
ACKNOWLEDGEMENTS.....	2
CHAPTER 1 INTRODUCTION.....	6
CHAPTER 2 BUSINESS ETHICS AND ENTREPRENEURSHIP	17
2.1. ENTREPRENEURSHIP: AN OVERVIEW OF CONCEPTS AND THEORIES.....	17
2.2. BUSINESS ETHICS, ENTREPRENEURSHIP AND SOCIETY	23
2.2.1. <i>Business Ethics: an Oxymoron?</i>	23
2.2.2. <i>Business Ethics and Entrepreneurship</i>	26
2.3. RESEARCHING BUSINESS ETHICS AND ENTREPRENEURSHIP.....	31
2.3.1. <i>Research at the Individual Level</i>	31
2.3.2. <i>Research at Organisational Level</i>	37
2.3.3. <i>Research at Environmental Level</i>	40
2.3.4. <i>Adding Together Different Levels of Factors</i>	43
2.4. COGNITIVE APPROACH	47
2.5. INSTITUTIONAL THEORY.....	53
2.5.1. <i>Institutional Theory and Its Development</i>	53
2.5.2. <i>Structuration Theory</i>	60
2.6. CONCLUSION	63
CHAPTER 3 BUSINESS ETHICS AND CROSS-CULTURAL STUDIES	65
3.1. EMERGING PRIVATE BUSINESS IN TRANSITIONAL CHINA	65
3.3. CULTURE AND CROSS-CULTURAL STUDIES	70
3.3.1. <i>Cultural Dimensions</i>	71
3.3.2. <i>Guanxi and Its Core Conceptions</i>	76
3.3.3. <i>Cross-cultural Business Ethics Studies and Convergence-Divergence-Crossvergence (CDC)</i> <i>Framework</i>	77
3.3. BUSINESS ETHICS AND ENTREPRENEURSHIP IN CHINA	81
3.3.1. <i>Employment Relationships</i>	81
3.3.2. <i>Business Relationships</i>	89
3.3.3. <i>Government-Business Relationships</i>	96
3.4. CONCLUSION	101
CHAPTER 4 RESEARCH METHODS AND METHODOLOGY	103
4.1. RESEARCH METHODOLOGY	103
4.1.1. <i>A Social Constructionist Approach</i>	103
4.1.2. <i>Sense-making Methodology</i>	107
4.1.3. <i>Discourse Analysis</i>	113

4.1.4. <i>A Cross-cultural Study and the Capture of Ethnographic Features</i>	116
4.1.5. <i>Reflexivity</i>	120
4.2. RESEARCH METHODS	122
4.2.1. <i>Sampling and Accessing</i>	122
4.2.2. <i>Unstructured Interview</i>	126
4.2.3. <i>Audio-recording, Note Taking and Data Collecting</i>	129
4.2.4. <i>Language Issues</i>	132
4.2.5. <i>Ethical Concerns</i>	135
4.2.6. <i>Quoting Interview Materials</i>	135
4.3. CONCLUSION	136
CHAPTER 5 BUSINESS ETHICS AND ENTREPRENEURSHIP IN THE UK.....	137
5.1. ETHICAL ISSUES RELATED TO ENTREPRENEURSHIP.....	137
5.2. EMPLOYMENT RELATIONSHIPS	138
5.2.1. <i>The Purpose of Employment Relationships</i>	139
5.2.2. <i>Managing Employees as an Owner-Manager</i>	143
5.2.3. <i>Caring and Motivating Employees</i>	152
5.2.4. <i>Political and Legal Perspectives</i>	157
5.3. BUSINESS RELATIONSHIPS	164
5.3.1. <i>Quality and Price Centred</i>	164
5.3.2. <i>Trust or Distrust</i>	166
5.3.3. <i>The Legal Perspective</i>	169
5.3.4. <i>Valued Long-term Business Relationships</i>	173
5.4. GOVERNMENT-BUSINESS RELATIONSHIPS	177
5.4.1. <i>Unattached Status from the Government</i>	178
5.4.2. <i>Supportive Role of the Government</i>	180
5.4.3. <i>Abiding by the Law</i>	184
5.5. CONCLUSION	187
CHAPTER 6 BUSINESS ETHICS AND ENTREPRENEURSHIP IN CHINA.....	190
6.1. ETHICAL ISSUES RELATED TO ENTREPRENEURSHIP.....	190
6.2. EMPLOYMENT RELATIONSHIPS	191
6.2.1. <i>The Purpose of Employment Relationship</i>	192
6.2.2. <i>Managing Employees</i>	194
6.2.3. <i>Caring and Motivating Employees</i>	204
6.2.4. <i>The Legal Perspective</i>	208
6.3. BUSINESS RELATIONSHIPS	215
6.3.1. <i>Long-term Personal Relationships Centred</i>	215
6.3.2. <i>Trust or Distrust</i>	222
6.3.3. <i>The Legal Perspective</i>	225
6.3.4. <i>Price and Quality Concerns</i>	228

6.4. GOVERNMENT-BUSINESS RELATIONSHIPS	233
6.4.1. <i>Powerful Role of the Government</i>	233
6.4.2. <i>Relationships with officials</i>	235
6.4.3. <i>The Legal Perspective</i>	239
6.5. CONCLUSION	242
CHAPTER 7 COMPARING AND DISCUSSING BUSINESS ETHICS AND	
ENTREPRENEURSHIP	245
7.1. THE ETHICAL ISSUES RELATED TO ENTREPRENEURSHIP.....	245
7.2. EMPLOYMENT RELATIONSHIPS	249
7.2.1. <i>The Purpose of the Employment Relationships</i>	249
7.2.2. <i>Managing Employees</i>	253
7.2.3. <i>Caring for and Motivating Employees</i>	258
7.2.4. <i>The Legal Perspective</i>	262
7.3. BUSINESS RELATIONSHIPS	265
7.3.1. <i>Price and Quality Concerns</i>	265
7.3.2. <i>Long-term Relationships</i>	268
7.3.3. <i>Trust or Distrust</i>	273
7.3.4. <i>The Legal Perspective</i>	275
7.4. GOVERNMENT-BUSINESS RELATIONSHIPS	277
7.4.1. <i>The Role of the Government</i>	277
7.4.2. <i>Relationships with Officials</i>	280
7.4.3. <i>The Legal Perspective</i>	282
7.5. CONCLUSION	285
CHAPTER 8 CONCLUSION	286
8.1. ADDRESSING THE RESEARCH OBJECTIVES AND CONTRIBUTING TO THE KNOWLEDGE	286
8.1.1. <i>Identifying the Business Ethical Issues and Problems</i>	288
8.1.2. <i>Analysing the Sense-making of Entrepreneurs to Advance Understanding on How</i> <i>Entrepreneurs Perceive, Interpret, and Respond to these Issues</i>	290
8.1.3. <i>Identifying the Different Cultural, Value Resources, Examining the Features and Factors</i> <i>Involved, and Contributing to the Knowledge on the Business Ethics in Relation to the Social</i> <i>Process of Entrepreneurship in Different Socio-Cultural Systems</i>	297
8.2. METHODOLOGICAL CONTRIBUTIONS.....	304
8.3. EVALUATION AND AREAS FOR FUTURE RESEARCH	308
REFERENCES	310

Chapter 1 Introduction

The importance of entrepreneurship and business ethics in social and economic terms provides motivations to conduct this study. Entrepreneurship has been described as the engine of economic and social development (Audretsch, 2006) and attracted significant academic interest from different disciplines of social science (Low & MacMillan, 1988; Davidsson, *et al.*, 2001; Cooper, 2003). Most attention has been given to the role of entrepreneurship in the process of economic development (e.g. Mill, 1886; Knight, 1921; Baumol, 1968; van Stel *et al.*, 2005), whereas in relative terms much more limited effort has been made in exploring the ethical perspectives of entrepreneurship (Carr, 2003; Spence & Rutherford, 2003; Longenecker *et al.*, 2006). Business ethics has been recognised as of essential importance for business (Sternberg, 2000) and has increasingly become a prominent business topic (Crane & Matten 2007, Fisher & Lovell 2009). However, while the majority of businesses are small, business ethics has far been assigned increasing importance to larger companies (Carr, 2003). Thus this study answers the urgent call to address the knowledge gap of business ethics in relation to small entrepreneurial firms. An empirical and exploratory study of the social and ethical perspectives of entrepreneurship will, it is hoped, aid the growth of entrepreneurship literature. Specifically, this study set out to achieve the following aim and objectives.

Aim and Objectives

This thesis aims to develop our knowledge of business ethics and entrepreneurship and specifically advance the understanding of small business entrepreneurs' perceptions of, interpretations of and response to, business ethical issues in the UK and China. The researcher does this through investigating the processes of sense-making in relation to the business ethics issues of entrepreneurship. Specifically this work seeks to achieve the following objectives:

- To identify the business ethical issues and challenges related to new small business creation in different socio-cultural contexts, namely the UK and China;
- To identify the different cultural and value resources available to small business entrepreneurs to draw upon in making sense of their roles;

- To investigate how small business entrepreneurs, incorporate these resources into their sense-making of these issues, construct identities and enact their social relationships with employees, customers, suppliers and public officials;
- To examine the features and factors involved in how they enact their ethical reality, plausibly reason their decisions, proscribe and prescribe behaviours, and thus address issues of right and wrong; and
- To contribute to the knowledge on business ethics in relation to the social perspectives of entrepreneurship in different socio-cultural contexts – how British and Chinese small business entrepreneurs understand, interpret and respond to ethical issues in relation to their main social interactions.

This study falls into the category of basic research (or pure research). It aims to extend the frontier of knowledge of the processes of business ethics and entrepreneurship. This study, by no means, aims to function as an applied research to solve issues – use business ethics to promote entrepreneurship, or to use entrepreneurship to test business ethics theories. This study is mainly designed to advance our understanding of entrepreneurship in social and ethical terms by examining how small business entrepreneurs deal with ethical issues that emerge from their complex social interactions. It thus supplements our knowledge of entrepreneurship by researching its ethical and social perspectives, which distinguished this study from other entrepreneurship research focusing on the economic or business perspectives.

Business ethics is a large research area. In definitional terms, business ethics is “the study of business situations, activities, and decisions where issues of right and wrong are addressed” (Crane & Matten, 2007, p. 5). This study narrows down its research scope to business ethics in relation to the small business entrepreneurs – to investigate how the core individuals (i.e. small business entrepreneurs) make sense of their social relationships and apply their values, beliefs and expectations to respond to ethical issues and construct their identities accordingly. The reason for this attention is that entrepreneurs’ ethical stances, their values and beliefs, their decisions, and actions involve and affect many people both within and outside their organisations. The ethics

of a particular business can be highly diverse reflecting directly the range of “unavoidable” ethical decisions which “seriously influence the markets in which a business operates” (Sternberg, 2000, p. 15). Working in a stressful business environment with high levels of personal involvement and personal risks, entrepreneurs also face the same ethical issues their counterparts in large companies face too. These issues are related to fairness, personnel and customer relations, distribution dilemmas, honesty in communications and other associated challenges (Hannafey, 2003). Their behaviour in dealing with these issues can result in serious social harms and economic uncertainty, where a limited understanding of, or commitment to the ethical principles is engaged and unethical business practices are carried out. Ethical questions may arise not only in terms of how the business interacts with the world at large, but also in its relationship and interactions with a single customer, employees, business partners, or government. In the minimum terms, entrepreneurs and their organisations directly influence a variety of stakeholders by the ethical business practices they adopt (Ackoff, 1987).

The ethical concerns of entrepreneurship at the individual level are further justified by considering that there are occasions, where entrepreneurs feel reluctant to act as moral agencies in business and society. The moral status of entrepreneurs may, some would argue, be weakened by the finding that most businesspersons in small business are profit-oriented (Wilson, 1980); in other words, entrepreneurs have a propensity to compromise their ethical standards for their desire to earn more profits (Longenecker *et al.*, 1988). However, there are many small firms that pride themselves on exemplary business ethics; the increasingly competitive nature of global business (which tends to erode ethical standards) is, however, being balanced by the growth in concern for corporate social and environmental responsibility, particularly in the US and Europe. Thus, entrepreneurs have many concerns in relation to the specific ethical issues or situations during the process, in which they address right and wrong. For this reason, it is oversimplified to study business ethics in relation to entrepreneurship without considering the influence of complex situational factors and the entrepreneurial cognition of structural characteristics.

In contrast to many other business ethics research, this study does not rely on a philosophical analysis of the ethical issues faced by entrepreneurs. This is because of the three limitations of applying philosophical theories in explaining the process, where the right and wrong issues are addressed by individuals: firstly, philosophical/normative ethical theory represents an ideal rather than the realistic processes engaged in by people in actual situations (Trevino, 1986). Secondly, the philosophical/normative theory approach lacks face validity, since business people are unlikely to make their day-to-day ethical decisions based on philosophical/normative ethical theories of utilitarianism, justice, or rights (Trevino, 1986). Finally, Werhane (1994) indicates that philosophical/normative theory approach cannot adequately reflect the socio-cultural milieu that influences individuals' ethical decision-making and behaviours. The prevailing philosophical/normative theory is developed on the basis of Western culture and related research is mainly based on the US and European samples. This approach thus lacks predictive and explanative power in non-Western cultural contexts and is not suitable for this study as this study involves Eastern culture, namely Chinese culture. In the view of this limitation, this study focuses on the complex ethical situations emerging in dynamic social interactions of small business entrepreneurs.

This study aims to advance our understanding on entrepreneurs' approaches in addressing the issues of right or wrong rather than providing an ethical guide or design a solution to address ethical issues faced or aroused by small business entrepreneurs. Measures promoting ethical or moral standards and behaviours are conducive and essential to institute a healthy business environment and build up a good society. However, the success of such measures relies much on the accumulated knowledge and understanding of the targets. The research efforts on ethical and social perspectives of entrepreneurship and small businesses, up to date, are very limited. Yet it is unclear whether there are any particular ethical issues or problems in relation to entrepreneurship; what are their scope, nature and forms of the issues; and, more importantly how small business entrepreneurs perceive, interpret and deal with them. In the view of this knowledge gap, this study is motivated to explore this underdeveloped research area: identifying ethical issues related to the new small businesses; investigating the process, in which small business entrepreneurs make

sense of these issues; examine small business entrepreneurs' values, beliefs and expectations for sense-makings.

To do this and contribute to our understanding of entrepreneurs' perceptions of, and approaches to, business ethical issues and situations both in the UK and China, the processes of sense-making in relation to the business ethics associated with entrepreneurship is detailed. Ethical issues and situations tend to present in ambiguous and uncertain conditions where multiple stakeholders, interests, and values are in conflict (Trevino, 1986). Under such conditions, business actors are often faced with dilemmas, where they either have too many interpretations (ambiguity) or are ignorant of any interpretations (uncertainty). Ambiguity and uncertainty fuel sense-making. People make sense of issues and conduct "such things as placement of items into frameworks, comprehending, redressing surprise, constructing meaning, interacting in pursuit of mutual understanding, and patterning" (Weick, 1995, p. 6). Through sense-making, people develop cognitive maps of their environments, ascribe meaning, address right and wrong and thus form the guidance for future actions. Indeed, this study propounds that the sense-making process underpins the ongoing interactions between individual and the complex and dynamic ethical situations. Hence focusing on sense-making angle, the thesis explores the dynamic and complex process, in which entrepreneurs deal with ambiguity and uncertainty and address right and wrong issues.

Researching the ethical sense-making of entrepreneurs is in line with the developments in social science theories regarding structure and agency. According to Giddens (1976, 1979, 1984), there are dynamic inter-relationships between structure and agency, which produces and reproduces the social system through social interactions. Through examining the process of entrepreneurs' sense-making of ethical issues in different socio-cultural contexts, this study is able to provide empirical evidences to support the structuration theory. Additionally, the comparison of these empirical evidences from difference institutional environments illustratively demonstrates the voluntaristic role of agency and institutional changes. Therefore, the efforts of this study comply with the developments of neoinstitutional theory (e.g.

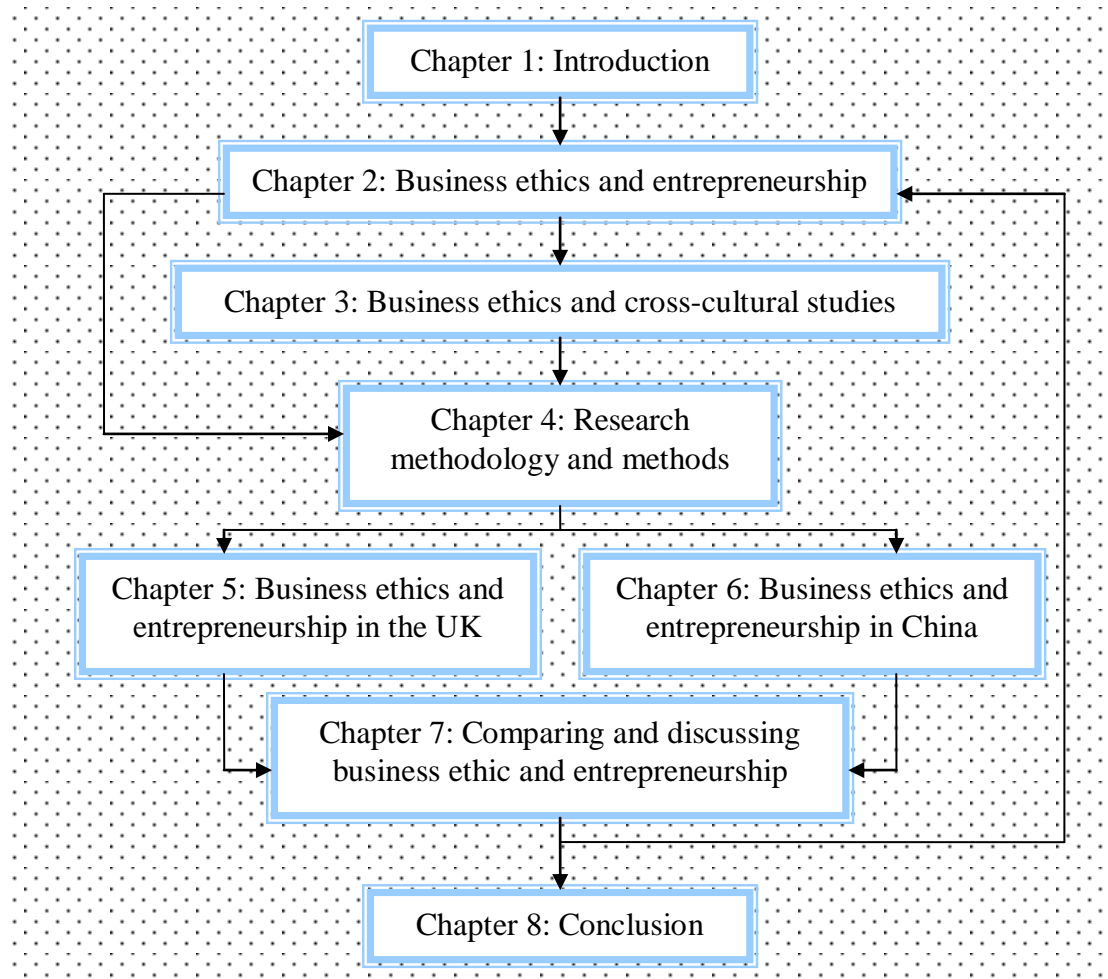
DiMaggio, 1988; DiMaggio & Powell, 1991; Oliver, 1991; Goodstein 1994; Farjoun, 2002).

Through researching entrepreneurs' ethical sense-making, this study is able to grasp the process, by which small business entrepreneurs as active social actors enthusiastically select the environment, perceive, interpret and respond to the meaning of institutions, and infuse such interpretations into their actions. In each occasion of sense-making, small business entrepreneurs are engaged in activities of creating, adopting, modifying, and rejecting incumbent institutions. Entrepreneurs influence the environments by what they enact. The results of entrepreneurs' collective sense-making either support, or weaken, or decrease extant institutions, or initiate the creation of new institutions. Therefore, researching the ethical sense-making of entrepreneurs enables this study to contribute empirically to structuration and neoinstitutional theories. A cross-cultural comparative approach is used to advance this contribution.

Another feature of this study is to identify the cross-cultural and cross-national similarities and differences in the development of the knowledge of business ethics in relation to entrepreneurship. This will be achieved by comparing the sense-making of entrepreneurs between the UK and China. Different institutional environments influence the process, in which entrepreneurs understand, interpret and respond to ethical issues and thus address the right and wrong. Therefore, through comparing British and Chinese entrepreneurs' ethical sense-making, this study is able to map the institutional features and factors involved in the role of being an entrepreneur. In addition, by the comparison, this study is able to present the dynamic interactions between institutional environments and actors, and structure and agency in different socio-cultural systems. This study is thus able to contribute to the knowledge on the business ethics in relation to entrepreneurship by comparing the entrepreneurs' expressed patterns in addressing right and wrong issues and constructing meanings.

Arising from the empirical contributions, this thesis also develops a conceptual and methodological framework addressing complex business ethical issues by exploring the firsthand information from the entrepreneurs in the process of new small business

creation. This framework, it shall be argued, is capable of forming the premise of attempts to make the inevitable ethical choices faced by modern businesses “more explicit so as to make it better” (Sternberg, 2000, p. 15). Specifically, it is argued that a social constructionist approach and sense-making methodology provide a conceptual and methodological framework that helps to understand the distinctive patterns of entrepreneurs’ understanding and interpretation of, and response to, business ethics issues in both the UK and China. Focusing on empirical evidence of entrepreneurs’ social and ethical perspectives, this study provides a general conceptual framework, which is of value in advancing understanding of both entrepreneurship and business ethics in different socio-cultural contexts. Based on the above considerations, the researcher sets out the structure for this thesis.



Structure of the thesis

Chapter 2 discusses the increasing importance of ethical perspectives on entrepreneurship and the currently limited scope and nature of research in this area. This chapter introduces the definitions of entrepreneurship and business ethics. The social and ethical implications of entrepreneurship are then discussed. After that, the chapter further advances the understanding of business ethics and entrepreneurship by reviewing literatures at three levels: individual level, organisational level and environmental level. While psychological perspectives mainly focus on the individual, other studies focus on alternative levels of organisational and environmental factors. Economic scholars are shown to mainly focus their studies on the macro environment such as economic structure, state policy and political factors. This study, however, argues that social context is not just an external stimulus that individuals respond to. It is argued that individuals and their social contexts are interactive, reciprocal and mutually influenced. This is where institutional theory is of particular interest because its theoretical flexibility provides the ability to link the relevant micro and macro perspectives (Thornton, 1999) in addressing the ethical perspectives of entrepreneurship. The institutional approach emphasises interconnection and interaction between factors from different levels including individuals and the political, economic, cultural and societal dimensions. To interweave all the pertinent topics into an original conceptual framework, this study proposes the use of a cognitive approach and introduces social constructionism and sense-making theories into the analytical repertoire.

Chapter 3 reviews the literature regarding business ethics and entrepreneurship in different cultural contexts. Culture is referred to as “a collective programming of the human mind that distinguishes the members of one human group from those of another. Culture in this sense is “a system of collectively held values” (Hofstede, 1980, p. 25). In this study, national culture is thought to have an influence on individual ethical and business values, beliefs and hence behaviours. However, the transition economy found in China further complicates the relevant entrepreneurial ethical situations. The concept of culture is defined and the various cultural dimensions proposed by leading cross-cultural researchers are explored in this chapter. The literature regarding cultural dimensions are then reviewed in order to map the differences between Chinese and Western cultures that can influence the individual

ethical and business values, beliefs and hence, behaviours of the Chinese and British entrepreneurs.

Chapter 4 is divided into two parts. The first part is concerned with the methodological framework and the second part addresses the research methods employed. In the first part of the chapter, social constructionism (Berger & Luckman, 1967) is discussed and introduces the concepts of socially constructed knowledge, social interactions, language and shared meaning, as they are relevant to business ethical decisions. In keeping with social constructionism, theories of sense-making and enactment Weick's (1979, 1995, 2001) provide a framework that links individuals to their social contexts and also helps to explain how meanings are constructed by individuals: how individuals possess "social values", "culture" and "customs"; use them to make plausible stories and hence; form the guideline for entrepreneurial behaviour. It is noticeable that the analytical framework of this study was drawn upon Weick's (1995) seven properties of sense-making: grounded in identity construction, retrospective, enactive of sensible environments, social, ongoing, focused on and extracted by cues, driven by plausibility rather than accuracy. Furthermore, this theory helps in providing comprehensive accounts and rationales for the ethical perspective in entrepreneurship.

Narrowing further, discourse analysis was used to complete the analytical framework for this thesis. It is argued that discourse analysis connects individuals, language and their social context by exploring who uses language, how, why and when (Van Dijk, 1997). It is argued that language is crucial for people to make sense of their world and provides a resource for the researcher to understand how people make sense of and react to their environment. This study, therefore, focuses on discourse in order to investigate the processes of sense-making in relation to the business ethics issues of entrepreneurship. The discussion then moves on to address the importance of incorporating ethnographic elements into this research project. A social constructionist approach and sense-making methodology are shown to encourage the use ethnographic features in this study. A notable assumption underlying ethnographic research is that the researcher is expected to go into the field to learn about a culture from the inside out (Schwartzman, 1993). A discussion of the

researcher as a local to the research field and the development of relevant cultural knowledge is undertaken to try to account for the contribution of the adopted approach. Here though ethnographic features are adapted in order to yield a more insightful approach to studying the relevant cultural features.

The second part of chapter 4 is concerned with the issues of research fieldwork. The topic, including the choice of the method used, gaining access, interviews, and the interpretative strategies adopted, are discussed and justified. The chapter concludes with a detailed description of the approach to data collection and related ethical concerns.

Chapter 5 and 6 present the main body of data and analysis concerning the two study countries. Based on the analytical framework developed in chapter 4, the structure of chapters 5 and 6 is centred on the three main themes: employment relationships, business relationships, and government-business relationships. These two chapters present the material gathered through interviews with participants in each country. This study highlights the importance of ongoing and social nature of entrepreneurs' sense-making. The focus of analysis has been given to cues extraction, identity construction, plausible reasoning, and enactment. By analysing the language used by respondents in the interviews, reflecting the discourse approach laid out above, the key issues from the accounts of the respondents are then identified. Taking forward the analysis that is presented in these two chapters, the identified issues are then comparatively discussed in chapter 7.

Chapter 7 provides a summary of findings and a conclusion. This chapter analyses in detail the key issues that were identified in the last two chapters. In chapter 7, the way in which respondents make sense of and enact their environment is presented and discussed. By analysing the findings from the two countries comparatively, it is argued that these two countries share both similarities and significant differences in the accounts and rationales for the ethical perspectives of entrepreneurship.

Chapter 8 highlights how this thesis provides a contribution to existing knowledge in this area and highlights the practical and academic implications of its findings.

Furthermore, this chapter evaluates the usefulness of the adopted methodological framework for enhancing one's understanding of the process of entrepreneurship in different cultures in more general terms. This chapter concludes by outlining the limitations of the study as well as providing recommendations for further research.

Chapter 2 Business Ethics and Entrepreneurship

This chapter provides an overview of the existing literature addressing ethical perspectives of entrepreneurship. The chapter starts by exploring the current definitions of entrepreneurship and business ethics customarily employed. The social and ethical implications of entrepreneurship will then be discussed. After that, this chapter further advances the understanding of business ethics and entrepreneurship by reviewing identified literature at three contrasting levels: individual level, organisational level and environment level. Moreover, this study involves institutional and structural theories in addressing ethical perspectives of entrepreneurship. To incorporate all the pertinent topics identified into an original conceptual framework for use throughout and beyond this research, this study proposes the use of a specifically cognitive approach and the introduction of social constructionism and sense-making theories into the field.

2.1. Entrepreneurship: an Overview of Concepts and Theories

For the last few decades, entrepreneurship has undoubtedly aroused enormous enthusiasm from a range of academic disciplines of social science (Low & MacMillan, 1988; Davidsson, *et al.*, 2001; Cooper, 2003; Beaver & Jennings, 2005). The importance of entrepreneurship in modern economy is emphasized and appraised for promoting structural balance, employment choice and economic growth, and restricting the excesses and misuse of corporate power (Beaver, 2002; Beaver and Prince, 2004). Beaver and Jennings (2005, p. 10) indicate that “[e]ntrepreneurship has been the subject of a great deal of important research but as yet and probably never, there is no unified, generally accepted definition or model of entrepreneurial development and activity”. That is because each theoretical approach views entrepreneurship in its own unique manner and remains relatively unaffected by the potentially contrasting perspectives of other disciplines (Herron, *et al.*, 1991). It is argued that no single discipline or conceptual scheme can provide an adequate understanding of all aspects of the complex and multi-faceted phenomenon of entrepreneurship (Reynolds, 1991). Therefore, despite the broad interest at both national and international levels, a concise, universally accepted definition has never

emerged in the literature of entrepreneurship (Hisrich & Peters, 2002). The definitional debate is further complicated and obscured by the existence of equally ambiguous conceptions of entrepreneurs and entrepreneurship.

Before further addressing the definition of entrepreneurship, it is necessary to answer the questions “who are entrepreneurs” and carefully distinguish entrepreneurs from other relevant economic actors. The traditional view of entrepreneurs follows Turgot (1727-1781) and Says’ (1767-1832) – entrepreneurs assume the risk or uncertainty; they obtain and organise production factors, transfer knowledge into tradable products, and meet customer needs. Following this vein, Beaver and Jennings (2000, p. 397) indicates that “the people who start and develop small firms are often revered as entrepreneurs—the self-made people of today who have generated their own wealth rather than inheriting it”.

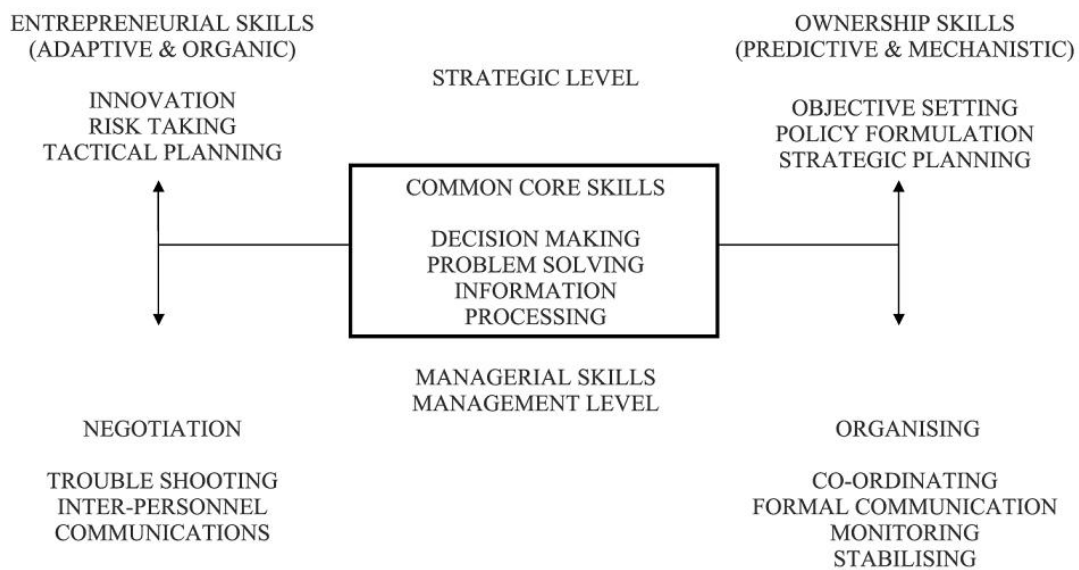
Beaver and Jennings in their later argument further indicates that not all small business people are entrepreneurs (Beaver, 2003c; Beaver and Jennings, 2005). Inspired by Schumpeter’s (1934) categories of entrepreneurial behaviour, they point out that if behaviour does not display an owner-manager characteristic, or there is no pursuit of profit and growth, or innovative strategic practices, then an economic actor is not to be accurately characterised as an entrepreneur. Being an entrepreneur requires distinct and different management skills and abilities, particularly in terms of innovation, strategic thinking, and strategic management (Jennings & Beaver, 1997; Beaver & Jennings, 2000, 2005, Beaver & Prince, 2002, 2004; Beaver, 2007). Specifically, Beaver & Jennings (2005) explain 7 possible roles the small business practitioners may enact in dealing with small business management situation. They are:

- 1) Entrepreneur.
- 2) Owner.
- 3) Manager.
- 4) Entrepreneur-owner.
- 5) Entrepreneur-manager.
- 6) Owner-manager.

7) Entrepreneur-owner-manager.

Assuming each of these roles, small business practitioners will present a combination of skills and abilities from three categories: either entirely from one category (entrepreneur, owner, or manager), or from a combinations of two (entrepreneur-owner, entrepreneur-manager, and owner-manager), or from all three categories (entrepreneur-owner-manager), as shown in the figure below.

The small firm management process



Source: Beaver and Jennings (1995)

Beaver and Jennings’ multi-roles approach (1995, 2005) is of potential to advance entrepreneurial research. Following their approach, this study paid attention to the identity construction of small business entrepreneurs in their social interactions. Small business entrepreneurs constantly deal with different social actors (e.g. employees, governmental officials, customers and suppliers), make sense of their social relationships, and address the issues of right or wrong. In this process, small business entrepreneurs apply values and beliefs and continue to shape and reshape the answers to the question “who they are”. They assumed many roles: employers, subjects of government ruling, customers, suppliers, competitors, business owners, managers and many more. Thus entrepreneurial identity can never be seen as a unified and simply structured concept. The complex adds up the difficulties to generate a general definition of entrepreneurship.

Based on previous academic efforts, Hisrich *et al.* (2005, p. 8) provide a general definition of entrepreneurship, aiming to include all types of entrepreneurship. In their words, “*entrepreneurship is the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic and social risk, and receiving resulting rewards of monetary, personal satisfaction and independence.*” Such efforts are remarkable and the definition provides a reference for entrepreneurship researchers.

However, as noted earlier, entrepreneur researchers from different disciplines have distinctive research approaches and diversified research interests. In the words of Beaver and Jennings (2005, p.10),

“Collectively such research projects have examined entrepreneurs and entrepreneurship from a host of alternative perspectives – attitudes, backgrounds, personality traits, economic factors, contextual circumstances and aspects of social marginality, gender and even geographical location. Each alternative perspective brings with it a particular set of assumptions and difficulties for researchers. Whilst areas of agreement and overlap are apparent, alternative perspectives often provide opposite and conflicting explanations of observed behaviour”.

Beaver and Jennings (2005) question the argument that a universally accepted definition of entrepreneurship is necessary, or possible to be made. What they emphasise is that entrepreneurial researchers “tailor” or “fashion” the definition of entrepreneurship, giving their own research focus or approaches – “alternatives”. This is particularly true to this study, since its primary research domain targets at the social and ethical perspectives of entrepreneurship. The main focus is laid on how entrepreneurs address issues of right and wrong in the process of their dynamic social interactions. Thus social impacts rather than economic success of small businesses attract the attention of this study. The specification and adoption of definitions must proceed with cautions. At least, the all-inclusive definition of Hisrich *et al.* (2005) cannot be applied to this study directly without “tapering” the scope of entrepreneurs.

In this study, the scope of entrepreneurs is narrowed down through accepting the definition that an entrepreneur is “a major owner and manager of a business venture who is not employed somewhere else” (Brockhaus, 1980, p. 510). This definition separates intrapreneurs from entrepreneurs. Intrapreneurs (or corporate entrepreneurs) refer to the employees who display innovative behaviour within established large organisations. Though some researchers treat intrapreneurship as a growing research subfield of entrepreneurship (Pinchot, 1985; Hisrich, 1990; Antoncic & Hisrich, 2003), there are concrete differences between the concepts of entrepreneurs and intrapreneurs according to other entrepreneurship researchers (e.g. Jones-Evans, 2006). The ownership structures of the organisations are different: entrepreneurs are the owner-managers of new small organisations, while intrapreneurs are employees of an established organisation. In addition, the risks assumed by each of these actors are radically different: the capital and time of entrepreneurs are directly at stake, while intrapreneurs may only risk their individual positions in the organisation. Jones-Evans (2006) indicates further the differences between entrepreneurial and intrapreneurial ventures in the business environment, the decision to establish a new venture, source and patterns of funding, and employment of staff. The significant differences between entrepreneurs and intrapreneurs and the organisation types they belong to mean that the studies have to be clear about and focus on the dichotomy between them rather than the relevant typology.

Current entrepreneurship research calls for more empirical studies with a much more explicit theoretical base (e.g. Low and MacMillan’s 1988; Hisrich & Drnovsek, 2002). In a review of 643 European entrepreneurship studies, Hisrich and Drnovsek (2002) find that the majority of articles do not have an explicit theory base (22%), or simply report previous findings regarding their research questions (47%). Articles with stated theory bases are dominated by economic perspectives and little attention has been given to other disciplines of social science. Furthermore, apart from a large number of entrepreneurship papers, exploratory studies only account for 1.24% of all the articles. The question asked by Sexton thirty years ago is still challenging entrepreneurship researchers: “Is the field of entrepreneurship growing, or just getting bigger?” (1988, p. 4).

For a long time, the role of entrepreneurship in the process of economic development has always been the topic discussed in most detail by economists (e.g. Mill, 1886; Knight, 1921; Baumol, 1968; van Stel *et al.*, 2005). High levels of successful entrepreneurial activities, it is claimed, could satisfy the massive demands from markets and make a great contribution to national economies and the social material well-being of those actors therein. Therefore, scholars thus measure the success of entrepreneurship or good entrepreneurship by revenue growth or growth in the market share achieved (Ensley & Amason, 1999; Stoica & Schindehutte, 1999), by profits (Bamford *et al.*, 1996; Ireland & Hitt, 1997), or by the survival of the business (Chrisman *et al.*, 1998). Beaver (2003b) encourages researchers to explore other dimensions of entrepreneurship to define the success or failure of entrepreneurial organisations and small businesses, e.g. strategic management in attaining competitive advantages. The focus upon the financial measures “reduces human work to simply a ‘factor of production’ to be used to maximise financial performance and “growth” and entrepreneurship is “simply instrumental to the material goals of entrepreneurs” (Cornwall & Naughton, 2003, p. 63). As such, it is observed that more attention should be given to the social and ethical perspectives of entrepreneurs and their organisations, providing a powerful justification for the approach and value added of this thesis.

This study seeks to contribute to this field by bringing new insights to Low and MacMillan’s (1988) six design specifications of entrepreneurship research: the purpose of the research; the choice of theoretical perspectives; the focus of the phenomena to be investigated; the level(s) of analysis; the time frame of analysis; and the methodologies used. An empirical and exploratory study of the social and ethical perspectives of entrepreneurship will, it is hoped, aid the growth of entrepreneurship literature.

Despite the increasing importance of entrepreneurial organisations to economic growth internationally, limited effort has been made to address business ethics in entrepreneurship specifically (Carr, 2003; Spence & Rutherford, 2003; Longenecker *et al.*, 2006). To fulfil this aim, it is essential to combine the definitions of business ethics and entrepreneurship.

2.2. Business Ethics, Entrepreneurship and Society

Business ethics is not a simple adding up of the definitions of business and ethics. To define what business ethics is, there are much more theoretical issues to be addressed.

2.2.1. Business Ethics: an Oxymoron?

There are conflicts between the two conceptions, business and ethics. Oxford English Dictionary (online) defines in a narrower sense that ethics are:

- a. the moral principles or system of a particular leader or school of thought;
- b. the moral principles by which a person is guided;
- c. the rules of conduct recognized in certain associations or departments of human life.

The dictionary also defines business “[a] commercial enterprise regarded as a ‘going concern’; a commercial establishment with all its ‘trade’, liabilities, etc”. Being the dominating economic organism and economic foundation of capitalism, businesses are most privately owned; they are formed to pursue profits, increase the wealth of its owners and grow the business itself. In the other words, business owners and managers assume risk and devote their time and efforts in exchange for the receipt or generation of a financial return. Businesses concerns profits, growth and the satisfaction of self-driven needs, while ethics are moral related and involve interests of others. A question raised here is whether business is compatible with ethics.

Business ethics has been described as an oxymoron – contradictory terms in conjunction reflecting “a conflict between the pursuit of self-interest and consideration of others” (Collins, 1994, p. 7). Friedman (1970) propositions that businesses shall focus exclusively on its paramount purpose – profits, rather than being social responsible. Crane & Matten, (2007) indicate that such description echoes a belief of some business researchers and practitioners that there are not, or cannot be ethics in business. When the description goes to the extreme, it may lead to a pessimistic belief that business is in some way unethical or inherently bad. It is not a surprise to see such belief. We have to recognise that the economic performance of a business is not necessarily connected to ethics. By contrast, unethical business practices may bring businesses instant rewards in terms of profits and growth.

This conflict seems more salient in small businesses, where the counterbalance of management effectiveness and individual ethics is difficult to achieve. In some way, unethical practices, instead of good ethics, may be seen as necessary for profitable entrepreneurship. Entrepreneurs tend to be more profit and growth oriented, and tempted to compromise their ethical standards (Longenecker *et al.*, 1988, 1995; Wilson, 1980). Various unethical issues and scandals have been connected with small businesses, such as environmental pollution, sweatshops and exploitation, deception of customers, and bribery (e.g. Kets de Vries, 1985; Rainnie, 1989; Fassin, 2005). This is not a surprise, since small businesses are generally characterised with limited cash flow and fewer resources, while their owners enthusiastically or even aggressively pursue financial success.

There are prominent conflicts between pursuing self-interest and consideration of others, management effectiveness and individual ethics in the process of Chinese entrepreneurship development. For example, in the early time of China's economic reform, Chinese market-oriented economy, the related political, social and legal infrastructure was highly underdeveloped. Chinese government and its officials possessed huge power and control over the economic life. For the survival and sustainable development of their businesses, small business entrepreneurs endeavoured to develop personal relationships and networks with public officials. Power exchange and rent seeking behaviors were not rare business practices. Bribery was paid to the powerful officials. Through doing so, small business entrepreneurs could gain many favours from the officials and possess competitive advantages in terms of quick pass of administrative procedures, acquiring business licenses and permissions, allocation of resources, access to public procurement contracts, tax reduction, and information collection (Bruun, 1993, 1995, Wank, 1995a; Dunfee & Warren, 2001). As a result, their businesses grew faster and their profits increased quickly.

The moral status of entrepreneurs may be weakened by the finding that most businesspersons in small business are profit-oriented (Wilson, 1980). In one empirical study, Longenecker *et al.* (1995) identify a number of ethical issues in the interactions

between entrepreneurs and their relevant stakeholders. This is connected with the authors' previous proposition that entrepreneurs are tempted to compromise their ethical standards for their desire to earn more profits (Longenecker *et al.*, 1988). The ethical complexity of entrepreneurship is increased by the questionable ethical judgement capabilities of entrepreneurs. "In order to develop a new business, business leaders are perceived as tenaciously committed to doing almost anything to succeed. This raises the fundamental question regarding whether a willingness to compromise one's own value is "inherently associated with the characteristics of a successful entrepreneur" (Fisscher, *et al.*, 2005, p. 207). The above studies therefore suggest that entrepreneurs are in an ethical dilemma of options: profitability versus CSR.

These studies echo arguments regarding whether corporations should be charged with social responsibilities or left to solely focus on profits and economic performance. To Friedman (1970), the sole responsibility of a corporation is to increase its profits, rather than acting in a socially responsible manner. Fisher and Lovell (2006) categorise Friedman's arguments against CSR into three strands. The first criticism is that corporations should act for the good of shareholders, whose funds should be used in profitable and legally acceptable ways. Corporate philanthropy should not distort the profitability of the organisation and is thus only justified when it improves profitability. The second criticism is that it is undemocratic to use shareholders' funds to act for "good causes" at the expense of lower dividends, higher prices or lower wages. The third criticism is that corporations as social constructs cannot have responsibilities. Thus, Friedman proposed that profitability should unfailingly prevail over concerns related to CSR. Undoubtedly there exists a tangible risk – the concern for profits, not only compromises the willingness of entrepreneurs to behave ethically, but also may lead to unethical behaviours or even social harms.

The intrinsic conflicts of business and ethics echoes a constant dilemma characterising in many ethical situations. From time to time, business owners and managers faced the difficult options – shall I pursue self-interest or considering more the interests of others; shall I maintain management effectiveness at the expenses of individual ethics; and/or shall I focus on profits and economic performance and ignore social responsibilities. This is not just a simple "yes" or "no" question. It is a dilemma

– a complicated decision making process concerned with situations, in which individual responses are of critical importance (Crane & Matten, 2007; Fisher & Lovell, 2009). No matter what the decision the business actors make, they have to make sense of their ethical situations, analyze the weight of different factors, plausibly justify their actions, and assume the risks. In the following section, the definition of business ethics adopted by this study will be further specified.

2.2.2. Business Ethics and Entrepreneurship

To define business ethics as an academic discipline, it is not just to add up the definitions of business and ethics. Such simple adding up will risk business ethics researchers to an assumption – economic actors are moral agencies and willing to make moral judgments and taking actions that comport with morality. Under this assumption, researchers focus their attentions on the topic of improving the moral standard of business actors, or directing actors to make ethical decisions, or providing guidelines to promote more ethical and moral business practices. As a result, the influence of the ethical situation and the voluntaristic role of actors, and the conflicts between pursuing self-interests and considerations of others are ignored. To avoid such risk, we must have a definition of business ethics with a broader sense, which accommodates the situational complex as well as the role of individuals.

This study adopts Crane and Matten's (2007, p. 5) definition – business ethics is “the study of business situations, activities, and decisions where issues of right and wrong are addressed”. This definition reflects the emphasis on individual response to ethical issues and gives attention to the dynamic interactions between creative individuals and their ethical interactions. Thus this study can be seen as a research investigating business ethics in the process of entrepreneurship – the study of situations, activities, and decisions related to ethical issues for owner-managers starting a new small business. To study business ethics in relation to entrepreneurship, three characteristic must be given attention to. They are owner-manager status, pursue of profits and growth, and the creative individuals. The importance of profits and growth has been highlighted in section 2.2.1.

The importance of owner-manager can be explained by their influential role in small businesses management. In the words of Beaver (2003a, P.63-64),

“Management in small firms cannot be separated from the motivations and actions of the key actors. They are the fundamental component in understanding the fashioning of the relationships between ownership and decision making, managerial styles, organizational structures and cultures, and patterns of business development... Understanding the management practices of small firms therefore requires an appreciation of the psychology of ownership and the perceptions that owner-managers and entrepreneurs have of themselves and their operating context.”

The third characteristic, the creative individuals, denotes the role of entrepreneurs in the process – by referring to the ethical situations, they make sense of issues, enact environment and construct identities. Ethical issues and situations tend to be present in ambiguous and uncertain conditions where multiple stakeholders, interests, and values are in conflict (Trevino, 1986). As a result of such a complex, people tend to construct “multi ethical selves” (Trevino & Nelson, 2007, p. 180) and make different decisions in different situations. Under ambiguous and uncertain conditions, business actors are often faced with dilemmas, where they either have too many interpretations (ambiguity) or are ignorant of any interpretations (uncertainty).

Ambiguity and uncertainty fuel sense-making. People make sense of issues and conduct “such things as placement of items into frameworks, comprehending, redressing surprise, constructing meaning, interacting in pursuit of mutual understanding, and patterning” (Weick, 1995, p. 6). Through sense-making, people develop cognitive maps of their environments, ascribe meaning, address right and wrong and thus form the guidance for future actions. Indeed, this study propounds that the sense-making process underpins the ongoing interactions between individual and the complex and dynamic ethical situations. Hence focusing on sense-making angle, the thesis explores the dynamic and complex process, in which entrepreneurs deal with ambiguity and uncertainty and address right and wrong issues.

For this study, business ethics in relation to entrepreneurship denotes an academic emphasis on the process – entrepreneurs apply their values and beliefs, make sense of their ethical situations and issues, enact environment and construct identities, and plausibly address the right and wrong issues. This study conceptualise business ethics in relation to entrepreneurship as a dynamic process, and an ongoing practice between individual entrepreneurs and the ethical situations in which they are implicated. Under the influence of situational factors, individuals engage in the sense-making process and engage in activities which shape their commercial situations. In this process, values and beliefs influence what the individual's perception of right or wrong is: indeed, "values are the commonsense, often taken-for-granted, beliefs about right and wrong that guide us in our daily lives" (Fisher & Lovell, 2006, p. 151). Such conceptualisation locates individuals in the central place receiving stimulation and acting to change social structure. Indeed, the understanding of entrepreneurs advocated here, as uniquely active connected with their business and thus, distinguishable from intrapreneurs for example, confirms their status at the epicentre of the operation with the motivation and necessary control to enact change in its structural and ethical approach.

Furthermore, social constructionism and the sense-making approach are shown potentials to inform our understanding of business ethics and entrepreneurship. Addressing right and wrong, individuals make sense of ethical issues, construct identities, and create plausible stories in order to rationalise and sustain their activities. In this process, the owner-mangers make sense of and shape their environment through interaction with other social actors. Thus this study gives attention to the significance of the individual entrepreneurs and the human relationships they are located in. The efforts of conceptualising business ethics and entrepreneurship made by this study are theoretically tied to social constructionism (Berger & Luckmann, 1967) and sense-making theory (Weick, 1979, 1995, 2001). These approaches emphasise that knowledge and reality are socially constructed mediums and language holds a central role in this construction process. The role of these general social science theories in this study is addressed in further detail in Chapter 4, Methodology and Methods of this thesis. Researching the business ethics in relation to the social process of entrepreneurship is not only to answer the call of the growth of

entrepreneurship research field but further, to also understand the significance of these areas in society in more general terms.

The importance of entrepreneurship and small businesses in social and economic terms provides a motivation to research this field, especially their ethical perspectives. Despite the fact that most of businesses are small, incumbent business ethics literature gives most of attention to the large business organisations, which have been treated as the main contributors shaping ethical climates. Yet entrepreneurs and their organisations are of great importance in shaping economic and societal life (Brenkert, 2002). They fulfil their economic functions by initiating new businesses, providing products or services, increasing employment opportunities, improving production processes, and performing other related business activities. Indeed, entrepreneurship has been described as the engine of economic and social development (Audretsch, 2006). Schumpeter (1942) highlights entrepreneurship as the driving force of market capitalism, claiming that entrepreneurship has the potential to both create and destroy fundamental economic structures. This insight powerfully underlines the need for an explicit approach to business ethical decisions within the entrepreneurial sector in order to secure the positive facets of the phenomenon and protect against its potential harmful impacts.

Some researchers have explored the corporate social responsibility (CSR) of entrepreneurs and their organisations (e.g. Brown & King, 1982; Chrisman & Fry, 1982; Ackoff, 1987; Longenecker *et al.*, 1997; Buchholz & Resenthal, 1999). The business practice of entrepreneurs and their organisations influences a variety of stakeholders, including employees, shareholders, suppliers and business partners, customers, and the community (Ackoff, 1987). Buchholz and Resenthal (1999) thus argue that the private corporation has a broader set of responsibilities to serve these stakeholders rather than shareholders alone and should be influenced by a wider range of values than traditional economic concerns affecting shareholder value. Longenecker *et al.* (1997) find that the majority of small business owners are aware that their business's function within the context of the society and recognise their responsibilities to customers, employees, and the community, as well as a general responsibility to act ethically. This is supported by the findings from previous

research. Brown and King's (1982) survey shows that small business owners' ethics are the same or higher than other individuals, including physicians, managers, and government officials. Chrisman and Fry (1982) further confirm that small businesses, in general, are in compliance with social expectations and are more critical concerning their social performance than the public. Chrisman and Fry further explain that this change of attitude may be caused by an increasing self-awareness on the part of business regarding its social role, or by individuals' more realistic expectation.

The above studies see small business owners possessing a more ethical approach than other populations. Yet these studies have not established that such approach is possessed because small business owners are willingly to behave more ethically; or the small size of organisations presses owners to do so in exchange for legitimacy and social approval of their actions. There are arguments indicated previous in section 2.2.1. against the proposition that small businesses are ethical and act accordingly to their identified CSR values.

As a result of this identified risk, entrepreneurship, as characterised in Friedman's pure terms at least, may raise significant ethical concerns. "On the one hand, entrepreneurs, who are regarded as creative innovators, are praised for their contribution to the development of society by creating new products, employment opportunities and thus opening new possibilities for all of us. On the other hand, entrepreneurs are often criticised for a one-sided pursuit of business success and being willing to compromise moral values if needed" (Fischer, *et al.* 2005, p. 207). The social harm that can result from entrepreneurial processes is difficult to assess in moral terms, but may include financial loss, unemployment, loss of income security, the breaking up of existing organisations, and environmental degradation (Hannafey, 2003). The influence of entrepreneurial ethically concerned behaviours is also beyond the scope of single individual organisations. Entrepreneurship changes existing obsolescent societal patterns and contributes to society and the economy embedded within this (Etzioni, 1987). Moreover, such influences are not confined to the short-term in their impact and may be of long-term effects. Despite the fact that the present ethical standards of business dealings are influenced by current businesses, entrepreneurs and their organisations set the ethical tone for the future economic

system of the world (Bucar & Hisrich, 2001). Indeed, one can see the future regarding the nature of entrepreneurial attitudes to environmental issues in particular for example and the economic health of a market or country in terms of long-term job creation and employment prospects.

In view of the increasing social and economical influence of entrepreneurs and their organisations, there is an urgent need for serious attention to be paid to the social and ethical dimensions of entrepreneurship (Spence & Rutherford, 2003; Longenecker *et al.*, 2006).

2.3. Researching Business Ethics and Entrepreneurship

Current literature addresses the ethical questions regarding entrepreneurship by analysing factors at three levels: the individual (micro), the organisational (meso), and the environmental (macro) levels (Brenkert, 2002). The first perspective can be termed an endogenous explanation and the second and third approaches as exogenous. Endogenous explanations refer to a variety of research that looks for the relationship between the commercial practices of entrepreneurs and ethical concerns which lay within the limits of the entrepreneurs' personality traits. Endogenous explanations refer to a variety of research that devotes to identify external factors influencing entrepreneurs' ethical stances, decision making and activities. The following sections review the relevant literature in order to advance and deepen our specific understanding of business ethics in entrepreneurship process.

2.3.1. Research at the Individual Level

Some researchers contend that entrepreneurs' traits may directly influence their attitudes and reasoning regarding ethical issues. Longenecker *et al.* (1988) suggest that entrepreneurial ethics may have its roots in the individualism associated with entrepreneurial behaviour. Under such influence, entrepreneurs demonstrate propensities of taking control, relying on personal power, distrusting others, and acting independently rather than being directed. This latter trait particularly is of interest if we consider the typically centrally focussed nature of many policy attempts to raise the profile of, and suggest successful responses to, emerging ethical issues,

such as environmental concerns or economy wide employment and training based concerns. A detailed analysis of the entrepreneur's relationship with and attitude to governmental agencies is therefore key to a successful understanding of their typical approach to many important modern ethical issues and will therefore be directly addressed by this thesis. Researchers continue to identify the common characteristics related to the motivational traits of entrepreneurs which may raise the specifically ethical concerns of entrepreneurship. Kets de Vries (1985) studies the so called "dark side" of entrepreneurs and describes how the positive motivational traits of entrepreneurs often have the capability to go to the extreme. Indeed, he identifies particularly a specific desire for control, sense of distrust, desire for applause, overreacted and extremely defensive as related to entrepreneurs in particular. As a result, these negative characteristics of entrepreneurs lead them into complicated managerial and ethical problems, ultimately at times even to self-destruction it is claimed.

These authors' arguments contribute to the relevant knowledge in this area by attempting to connect entrepreneurs' traits directly with their influence over ethical issues and the potential dark side of entrepreneurship. Yet such connections as are made are largely prescriptive in nature lamentably and lack strong empirical support. The entrepreneurs' traits were considered as important endogenous factors influencing entrepreneurs' ethical stances, decision making and activities. Current business ethics literature does not firmly connect the entrepreneurial personal traits with ethical questions in relation to entrepreneurship. This study thus refers to entrepreneurship literature in order to identify relevant traits.

In many of contemporary entrepreneurship studies, the entrepreneur as an individual actor has become a paramount concern in explaining the process and outcome of entrepreneurship (Herron & Sapienza, 1992; Neck *et al.*, 1999; Hansemark, 2003). Researchers have shown an enormous interest in exploring the psychological perspectives of entrepreneurship and identifying the personal traits of successful entrepreneurs (Shaver & Scott, 1991). Personality traits are used interchangeably with personal qualities, personal attributes, personal characteristics and motivational traits. In general, the so-called trait school believes in the proposition that the personality of

entrepreneurs is capable of explaining their actions to a large degree (Bridge *et al.*, 2003) and relates motives, temperament, style and ability (Mckenna, 1987) specifically to the characterisation of the relevant traits of any given entrepreneur. The motives and psychological side of entrepreneurs influence their ethical reasoning and thus their behaviour (Fassin, 2005). Limited by the research field of business ethics on the topic of entrepreneurship, this study refers to the general entrepreneurship literature to seek a more detailed insight. In this vein, some of the main traits are identified and described below:

Need for achievement (N-Ach)

Bridge *et al.* (2003) present the “continuum of entrepreneurship” and “N-Ach”. According to these authors, N-Ach “stimulates them [entrepreneurs] into action. When they accomplish something they consider being worthwhile, their self-esteem is enhanced and they are encouraged to seek other demanding assignments. Thus enterprising people are constantly on the lookout for challenges” (p. 63). Murray (1938) classically defines achievement motives as

... the desire or tendency to do things rapidly and/or as well as possible. It also includes the desire to accomplish something difficult. To master, manipulate and organise physical objects, human beings or ideas is identified as at the heart of the motivational make-up of entrepreneurial personalities. Furthermore, to execute these displays of control as rapidly and independently as possible is a further defining feature of the identified personalities, alongside a strong desire to overcome obstacles and attain high standards in the chosen sphere of activity, in other words, a wish to excel and achieve and specifically to rival and surpass others” (p. 164).

Murray (1938) describes these tendencies in the following manner, “to increase self-regard by the successful exercise of talent” (p. 164).

Through correlation studies in the laboratory, McClelland (1961) suggests that those with high N-Ach tend to engage in the following role behaviour: moderate risk-taking as a function of skill not chance; energetic and/or novel instrumental activity; individual responsibility; knowledge of results of decisions; money as a measure of

results; and anticipation of future possibilities. N-Ach seems to entail expectations of doing something better or faster than anybody else or better than the person in question's own earlier accomplishments. These skills can be learned and may develop according to how the individual's existing frame of reference is put against the individual's own desire to achieve (McClelland, 1990). In that way, the achievement motive will be a process of planning and striving for excellence (Hansemark, 2003).

The emphasis of N-Ach in an ethical perspective of entrepreneurship is in line with the proposition of a classical-liberal approach. This approach propounds that "individual choice, free of government coercion, is seen as the only ethical influence in shaping economic and social development" (Fisher & Lovell, 2009, p. 23). In the appendix to her book, *Atlas Shrugged*, Ayn Rand (2007) describes "the concept of man as a heroic being, with his own happiness as the moral purpose of his life, with productive achievement as his noblest activity, and reason as his only absolute". Rand's philosophical proposition (known as objectivism) holds that the highest moral goal of human being is to achieve happiness and that every person has within him the ability to pursue a rich, fulfilling, independent life, so long as it does not negatively affect others. The argument of Rand rejects altruism (i.e. the greatest good is service to others). Thus the ethical dilemmas faced by entrepreneurs are whether they should pursue their own happiness or profitability in terms of Friedman (1970) rather than acting in a socially responsible manner.

Locus of control

Locus of control refers to the question of where the control of events resides (Bridge *et al.*, 2003) and the individuals' belief of what affects outcomes. In his oft-cited article, Rotter, (1966) divides locus of control into internal locus of control (ILC) and external locus of control (ELC). ELC emphasises that the outcome of an event or decision is formed as a result of external interferences, while ILC emphasises the role and the actions of individuals in forming the outcome of any such event or decision. Rotter (1966) further argues that individuals with ILC would be likely to seek entrepreneurial roles because they desire positions in which their actions have a direct and measurable impact on results. McClelland (1961) suggests an important connection between N-Ach and ILC. The author suggests that individuals with high

N-Ach prefer to have a direct control over outcomes or affect outcomes of a given event through their effort.

Self-efficacy

Self-efficacy is the belief that one has the capability to affect outcome. Bandura (1997) defines self-efficacy as the belief in one's ability to muster and implement the necessary personal resources, skills, and competencies to attain a certain level of achievement in executing a given task. Individuals with high self-efficacy in a task tend to exert more effort and persist longer in the pursuit of a successful outcome or result. Shane *et al* (2003) suggest that self-efficacy may be highly important to the entrepreneurial process, and that this is particularly so where situations are ambiguous and effort, persistence, and planning are fundamental.

Risk taking

How entrepreneurs perceive and manage risks is perceived to affect directly the success and growth of a business (Delmar, 1994). Entrepreneurs constantly encounter the uncertainty related to financial well-being, psychological well-being, career security, and success of family relations (Liles, 1974). Indeed, it is noted that the risk-taking tendencies and the related uncertainty extends beyond mere business concerns into more personal aspects of entrepreneurs' activities and relationships. This observation serves to emphasise the very individual nature of this approach to the analysis of entrepreneurial activity and makes clear that the concern of this academic analysis is an understanding of entrepreneurs on a very personal level. Gifford (2003) thus indicates that entrepreneurs function in an uncertain and dynamic environment and thus bear the risks implied by the uncertainty of the future outcomes of their decisions. It seems that entrepreneurs are those most willing to take risk (Hyrsky & Tuunanen, 1999), yet "the process of risk-taking involves both making the decision to take a risk and developing a strategy that minimizes the risk. Well-seasoned risk taking requires careful decision-making" (Moore & Gergen, 1985, p. 72). This systematic approach to and embracement of risk as an attractive and necessary concept, rather than an unwanted importation of uncertainty, sets the entrepreneurial mind, at an individual level, apart from those lacking in such commercial personality traits.

Tolerance for ambiguity

Furnham and Ribchester (1995) defines tolerance for ambiguity as “the way an individual (or group) perceives and processes information about ambiguous situations or stimuli when confronted by an array of unfamiliar, complex, or incongruent clues” (p. 179). These authors indicate that low tolerance for ambiguity causes people to feel stressful, to react prematurely, and to avoid ambiguous stimuli, while high tolerance for ambiguity perceives ambiguous situations or stimuli as desirable, challenging, and interesting and neither denies nor distorts their complexity of incongruity. Tolerance for ambiguity has been argued to be an important trait for entrepreneurs (Scherer, 1982; Sexton & Bowman, 1985) and its mutually symbiotic relationship with the entrepreneurial approach to risk evaluated above is clear. There are other related traits shared by entrepreneurs: desire for autonomy (Sexton & Bowman, 1985), determination, initiative, creativity, self-confidence and trust (Bridge *et al.*, 2003). Limited efforts are made by researchers to connect these traits with the ethical perspectives of entrepreneurship and to evaluate how far they are generally compatible or otherwise with high standards of ethical behaviour in carrying out entrepreneurial business activities. It is suggested that this deficit is significant if we are to pursue a more explicit approach to understanding the influencing factors in entrepreneurs’ approaches to ethical issues related to their business decisions, and is therefore identified as a deficit attempted to be specifically addressed by the research and analysis contained in this thesis.

The role of human motivation and personality traits in entrepreneurship has been criticised in empirical research (e.g. Aldrich & Zimmer, 1986; Carroll & Mosakowski, 1987; Bridge *et al.*, 2003; Delma, 2006). The critical voices are in fact so strong that Gartner (1988, p. 12) claims that “focusing on traits and personality characteristics of entrepreneurs will neither lead to a definition of the entrepreneur nor help to understand the phenomenon of entrepreneurship.” Rauch and Frese (2007) categorise the critiques into three main themes: (1) entrepreneurship requires behaviours that are too varied to be related to specific personality traits (e.g. Gartner, 1988); (2) Personality traits are not strongly correlated enough in their relation to entrepreneurship to warrant further studies (e.g. Brockhaus & Nord, 1979; Hull *et al.*,

1982; Brockhaus & Horwitz, 1986; Aldrich & Wiedenmayer, 1993); and (3) an alternative view is required in order to properly focus on other accounts. Delmar (2006) adds that the static nature of entrepreneurial characteristics make it difficult to explain behaviours, which are subject to relevant environmental changes. Delmar further argues that current traits research is mainly grounded upon US samples. He cites Spence (1985) and argues that many personality traits are culturally rooted and lacking in predictive powers in cross-cultural contexts. This argument calls for particular attention as this study compares business ethics in the process of entrepreneurship in different national cultures. Seeing the limitations of such an approach to entrepreneurship research, however, this study has no intention to encourage efforts focusing solely on identifying or investigating traits to address ethical perspectives of entrepreneurship, but rather to go wider than this by identifying the influencing factors acting upon entrepreneurs when they encounter relevant ethical issues related to their business activities. The limits of the trait approach therefore justify the decision to review literatures on more general topics for more detailed insights.

2.3.2. Research at Organisational Level

Entrepreneurial organisations display some distinct characteristics, which distinguish their business practices and the ways of addressing ethical issues from those of other types of organisations. Hannafey (2003) describes entrepreneurial organisations as unique, small, constantly changing, and with limited cash flows. “Entrepreneurial organisations can be highly stressful and even volatile...the characteristics of entrepreneurial organisations may influence the ways persons in them deal with ethical issues”. Founding entrepreneurs can significantly influence a new venture’s ethical climate. Longenecker *et al.* (1989) argue that management practices in small business “typically employ fewer professional specialists, operate with less formality and reflect to a greater degree the personality and attitudes of the entrepreneur” (p.27).

The small size of entrepreneurial organisations may influence the response of entrepreneurs and their organisations to social and ethical issues. Chrisman and Archer (1984, p. 48) introduce “Index of Severity” to evaluate the importance of being responsive to social issues for small business. There are five factors that

concern small businesses particularly in the context of their relationship with ethical issues: (1) the ability (i.e., resources) of the business to respond to societal needs and pressures; (2) the willingness (i.e., desire) of the business to respond to societal needs and pressures; (3) the magnitude of the issues involved (i.e., how important the issue is perceived to be by both the firm and the general public); (4) the visibility of the business with respect to the issues involved (i.e., how directly the association between the business and the issue is perceived by both the firm and the general public); and (5) the relative amount of time required to act on the issue—the administrative time frame—versus the maximum time available in which action must be undertaken before adverse consequences occur—the strategic time frame. According to the authors, these factors are critical to an understanding of why small businesses are more socially responsive.

Chrisman and Archer (1984) suggest that small businesses may be more social responsive than larger businesses mainly due to these organisational factors. They argue that small businesses may lack the necessary resources to meet societal demands and are thus constrained in being socially responsive. However, the visibility of small businesses in the community makes them feel the immediate adverse effects of irresponsible actions, even though they are not the cause of the particular social problems. Furthermore, the small businesses do not possess the equivalent power to remedy the situation, which may be identified in larger businesses. Moreover, small businesses do not have long strategic time frames for socially responsive action as large businesses may have, due to the fewer resources available and the more immediate visibility of small businesses' ethical practices. Finally, the administrative time frame is generally longer for a small firm due to their relatively more limited capability to make a timely response. Taking this into consideration, Chrisman and Archer argue that small businesses need to be precautionary and precognitive in social or ethical issues as they can not afford passive and slow responses; small businesses are thus more motivated to adhere to society's expectations and be socially responsive.

Researchers continue to examine the influence of organisational factors on business ethics in the process of entrepreneurship. Hudson and Wehrell (2005) indicate that small size and difficulty of accessing sources of conventional business finance (credit

or equity) bring important differences in market efficiency, liquidity of investment, source of financing and the nature of relationships - particularly the relevant power relationships. The power difference determines how far stakeholders (investors) can influence entrepreneurs' ethical stances and behaviours. These authors suggest that investors can use the relative power difference to exert ethical pressure and make the entrepreneurs act in a more socially responsible way than large publicly owned businesses. These authors do not indicate the motivations or the extent to which that the stakeholders press the entrepreneurs to act socially and ethically. Neither have they mentioned the dynamic interactions and mutual influence between the entrepreneurs and the stakeholders. They do point out that the stakeholders play an important role in entrepreneurs' ethical stances and behaviours.

Researchers have attempted to connect organisational characteristics of small businesses with the formation of their approach to ethical issues (e.g. Spence, 1999). Spence (1999) suggests that the characteristics specific to an organisation influences the forming of an approach to ethical issues within small businesses and leads to different ethical practices when compared with large businesses. These characteristics are (p. 164 -166):

- Owner-managed - The coincidence of ownership and control exempt the small business largely from agency issues - conflicts of interest between people in the same assets. Nevertheless, pressures may come from close relationships with financing partners and shareholders. Key issues in the small business may revolve around management factors from one of the firm's major owners.
- Independent – The small business tends to disassociate itself from local, social and political life and concentrate narrowly on their business activities.
- Multi-tasking – The limited time and multiple-tasks being carried out on a regular basis exert great pressures on small business owner-managers, who thus have little time and energy to reflect on ethical issues.
- Fire fighting and cash limit – The small business tends to deal with urgent tasks first in order to survive in the short term. Concerning itself with its limited cash flow, the small business is less likely to plan strategically, invest in long-term projects, or respond to social issues not related to the bottom line.

- Personal relationships – The small size of the business enhances the possibility for owner-managers to develop their personal contacts with employees, customers, suppliers and even competitors. The trust relationships can be used as a foundation to promote an open and honest dialogue.
- Informality – The small business has the opportunity for dialogue and management without the imposition of formal and bureaucratic controls. Small business thus tends to have a general mistrust of bureaucracy, and instead rely on informal control mechanisms. This characteristic may generate issues in grey areas such as quality, the environment and ethical issues in general.

Though exploring links between characteristics of small business and potential ethical issues, Spence, nevertheless admits that further empirical studies are needed to test these proposed connections. So far, the literature investigating individual factors and organisational factors influencing business ethics in relation to entrepreneurship has been reviewed. In the next section, literature offering environmental explanations will be considered.

2.3.3. Research at Environmental Level

Exogenous explanations originate in sociology and economics. They ascribe analytical primacy to the environment as the most critical source in identifying and characterising the business ethical issues related to entrepreneurship.

Researchers have investigated the influence of entrepreneurial environments on ethical decision-making and found that dynamic environmental variables, such as competition, changes in technology, supply and demand, labour issues, legal developments, and relations with suppliers and creditors require an entrepreneur's careful attention (Chau & Siu, 2000; Hannafey, 2003). Chau and Siu (2000) identify external time pressures, scarce resources, and competition as major characteristics of entrepreneurial business environments and these environmental characteristics have the capability to be detrimental to ethical decision-making. Further, they suggest that entrepreneurs are required "to manage others' viewpoints and to resolve moral conflicts" which may make them more sensitive to moral complexity and ambiguity

(Chau & Siu, 2000, p. 370). They also propose that as individuals, entrepreneurs may be more disposed to ethical decision-making while environmental factors may seriously conflict with any such predisposition. Entrepreneurs experience powerful competitive market pressures and these forces may alter their perspectives on ethics. In such an environment, competitors aggressively disrupt the status quo and thus seek to change the rules of competition (Bucar & Hisrich, 2001).

Some scholars have directed attention to the growing number of entrepreneurs in the former Soviet Union (e.g. Radaev, 1994). These researches focus mainly on the difficult business environments currently encountered by entrepreneurs in these areas. As in the former Soviet Republics, the changing shift from state run industries to business privatisation has presented many market opportunities for creative entrepreneurship. However, it was found that entrepreneurs in this part of the world face highly volatile business, legal, and political environments as well as a high incidence of bribery, weak accounting standards, tax evasion, secrecy, corruption, extortion, and business related violence are all well known (Hannafey, 2003). Radaev (1994, p. 27) studies the perspectives of Russian entrepreneurs on ethical norms in relation to the present business environment and discovers that “ethical norms are forming ‘locally’ in individual segments of the market and as part of informal business associations.” According to Radaev (1994, p. 20), the ethical experience of Russian entrepreneurs indicates that practical moral norms “are constantly reworked as a product of live interaction among economic agents.” This is in line with Fuxman (1997), who examines the economic and political conditions in post-Soviet Ukraine and suggests that western businesses seeking entrepreneurial opportunities there must “be patient and try to exist within the current, rather chaotic, business environment” (p. 1281). This, according to Cooke (2005) and Farh *et al.* (2006), is similar to the situation in China (see Section 3.3.1). According to Fuxman (1997), entrepreneurs will eventually move towards an acceptance of more developed codes of ethical business practice in order for them to successfully pursue entrepreneurial opportunities in Ukraine and survive in this challenging environment. The research on entrepreneurship in the former Soviet Republics clearly illustrates ways in which environmental business factors exercise a powerful influence on entrepreneurial morality. However, the extent to which the economy specific political, legal and

historical influences confine the applicability of this insight must be interrogated as part of the research carried out through this thesis.

The significance of ethical considerations for entrepreneurs becomes all the more salient when operating in a hyper-competitive global economy. Hyper-competition is a rapid escalating environmental condition, where markets are in constant disequilibrium and change. In such an environment, competitors aggressively disrupt the status quo and seek to change the rules of competition. Furthermore, firms more or less face a dilemma when they develop new strategies and organisational cultures to deal with this external complexity. The entrepreneurs engage in ruthless competition to “kill or be killed” regardless of the ethical implications of such behaviour, or develop cooperative strategies and stress personal integrity for success (D’Aveni & Gunther, 1994). While mutual trust and shared values are essential for long-term business relationships, unethical behaviours are not uncommon in the commercial arena. Hyper-competition constitutes part of the environments, which may challenge the ethical stances and decision makings of entrepreneurs. Yet the business practices of entrepreneurs and small businesses are motivated by other external factors.

Brenkert (2002) examines business ethics in relation to entrepreneurship at macro levels. The author explains three main headings: decentralisation, extension and intensification of the economy, with which entrepreneurship has been linked (p. 19 – 33).

- Decentralisation of the economy refers to the view that various state or government controls should not hinder entrepreneurs’ activities, since entrepreneurs are the agents of economic progress. “Though entrepreneurs are said to value autonomy, liberty, or independence, they may seek to obtain it (them) in ways that are self-defeating both for themselves and for others. Decentralisation may also undercut liberty” (p. 19).
- The extension of the economy involves encouraging or permitting entrepreneurs to move into areas which offer market opportunities. The ethical concerns are about the nature or limits of the markets, the relation of the private and public domains, and inter-connections between self-interest and

the general welfare. One can see how the extension of entrepreneurial activities into markets traditionally associated with the provision of so called “merit goods” (e.g. healthcare or education) may directly raise such concerns as the pursuit of profitability and commercial self-interest may conflict with perceived socially optimum provision and consumption of these goods.

- The intensification of the economy involves encouraging entrepreneurial activity. The ethical concern is in promoting entrepreneurship, other members of society are affected both directly and indirectly.

Brenkert emphasises that entrepreneurship has not only economic effects but also significant moral and value effects concerning the good of society. Thus the means and ends of entrepreneurship can not be left solely within the sphere of control held by entrepreneurs. The author argues that attention should be given to the social, economic, and political contexts of entrepreneurship in order to contextualise any account of entrepreneurship.

2.3.4. Adding Together Different Levels of Factors

Some Researchers (e.g. Venkataraman, 2002; Fassin, 2005) seek to combine advantages of researching factors at individual, organisational and environmental levels. Fassin (2005) examines the reasons behind unethical practices in business: fraud, unfair competition, unfair communication, non-respect of agreements, and unfair attitudes towards and treatment of stakeholders. He listed a number of reasons including both individual and environmental factors in influencing entrepreneurs’ individual behaviours (p. 270),

- The pressures from stakeholders: shareholders, personnel, customers, suppliers, banks, government, media, environment
- The evolution of society – the individualism of people – norms
- The globalisation of the economy
- The short term tactics
- The dominance of financial considerations (short-termism of the stock market – anonymity of the individual sector

- The “jurisdiction” of business – Anglo – Saxon model
- The inefficiency of the juridical system for business: time and cost
- The disproportional importance of communication/media (the prevalence of show versus content: bad examples; the role models – television: media reality shows – politics – sport
- The reward and evaluation system of business and of managers: results – stock price
- The difficulty in translating a strategy from the top into practical implementation
- The motives of business: money and power, achievement and success, honours
- The psychology of entrepreneurs - rationalisation

Fassin notices that there were both individual and environmental factors involved in the formation of ethical issues and unethical practices. However, it should be observed that Fassin’s study is descriptive rather than exploratory. The contribution to our detailed knowledge of the wider relationship between entrepreneurs and ethical issues is limited to adding to the list of factors in the pool of influences on the ethical perspectives of entrepreneurs as the work lacks of support from explicit theory and exploration of a conceptual framework for approaching our understanding of the identified relationship. This limitation of the current research is one which will be directly addressed by the work contained in this thesis.

In one of the studies based on the US small business, Brown and King (1982) categorise factors influencing small business ethics into two groups: ‘internalised’ and ‘externalised’. While the former deals with various criteria in the minds of decision-maker, the latter concerns forces in the environment of the decision-maker. The main considerations of entrepreneurs in dealing with ethical issues are norms and pressures from community and peers, followed by higher moral or religious principles, anticipation of rewards and upholding the law regardless. The least weight has been given to fear of any punishment for failure to do so, which once more highlights the interesting issue of the exact nature of the relationship between the entrepreneur and central and governmental authorities in relation to ethical business practices. In terms of the external factors, competition is highly ranked on both the positive and negative

sides. Trade associations and better business bureaus were rated substantially higher than 'critics of business' and high school business programmes. On the negative side, federal state and local regulations, public interest groups, contemporary social standards and publicity media coverage and public disclosure, all received high ratings. Another notable finding from this study is that small firms generally hold a strong 'marketing orientation', since they rank customers as the highest priority when not all other stakeholders can be satisfied. Business activities are substantially motivated by economic gain. Although Brown and King (1982) notice that small business ethics are subject to both individual and environmental factors, the dynamic process of interaction has been ignored and a static approach to characterising the relationship is apparent.

Venkataraman (2002) attempts to combine these different levels by offering three alternative mechanisms to ensure a fair and efficient equilibrating system. These include: the person (the moral manager), process (the bargaining process) and external institutions (the visible hand of law and government). Due to a lack of theoretical support, Venkataraman is however, not able to advance his contribution by building a theoretical framework to unify his identified range of mechanisms. Buchholz and Rosenthal (2005) indicate that "what is needed for moral reasoning is the development of the reorganising and ordering capabilities of creative intelligence, the imaginative grasp of authentic possibilities, the vitality of motivation, and a deepened sensitivity to the sense of concrete human existence in its richness, diversity, and complexity" (p. 313).

In a study of fair trade, Wempe (2005) continues the discussions of tensions between business and ethics, and between the individual and community. He argues that individual entrepreneurs are struggling to find a unity of personal interest and that of the community, and between making a profit and being moral (Wempe 2005). The author compares three ways of analysing this tension and attempts to find a solution. The first view is that ethics (together with the law) limit entrepreneurship. The second view is that values and standards are equally in force in personal and business domains, and that a balance can be found between values taken from both domains. The solution is that the people concerned (entrepreneurs) erect their own boundaries

based on their own values and norms with a consideration of the demands and opportunities of the concrete situations in question. The first analysis sees ethics as a limitation of entrepreneurship and the second one involves a personal judgement regarding making an ethical choice. Their focuses are thus either on environment or individual levels. Wempe (2005) however, rejects both analyses, as the tension between ethics and entrepreneurship is not satisfactorily solved by either. The author thus suggests that entrepreneurs use contradictions in values as a source in developing new values.

Wempe's work (2005) brings valuable insights into the research field by linking business ethics and entrepreneurship. First, entrepreneurs are living amongst conflict values or beliefs in relation to ethical issues. Second, entrepreneurs' motivations, values and beliefs (individual perspectives) may conflict with values and norms of the community (environmental perspectives). Third, entrepreneurs have to work to find a unity of personal and business concerns. Fourth, the solution of conflicts is a process of construction by entrepreneurs. This latter insight draws out the significance of conceptual approaches such as sense making which draw out the way in which individuals construct their own interaction between individual traits and influences and those external environmental factors. However, the author leaves a few questions unanswered. How do the ethical situations or issues come onto the entrepreneurs' agenda? How do entrepreneurs make sense of situations or issues when faced with different values and norms? Why do entrepreneurs see their creations as more plausible than the existing values and norms? Bearing these questions in mind, this study attempts to advance understanding by introducing more general social science theories to build an original conceptual framework.

Spence (1999) proposes that researchers should formulate research questions at every level of the research approach in order to address business ethics in relation to entrepreneurship. At the micro level, researchers are advised to further their understanding of the interactions and individuals who work in and deal with small business. At the meso level, it is important to understand how small businesses hold together as organisations. At the macro level, it is important to understand the influence of environmental factors. Spence pays attention in particular to the role of

theory in constructing these approaches. The suggestions given by Spence raise a question: is there a possibility to introduce theoretical approaches connecting factors at different levels as well as presenting an explanation of the dynamic and complex interactions between individuals and their environments. A cognitive approach may have the potential to realise this goal, as environmental and organisational factors are considered as perceived reality incorporated into the mental frames of individual actors.

2.4. Cognitive Approach

Cognition literally means “knowing”. In *Cognitive Psychology*, Ulric Neisser (1967) offers a frequent cited definition: “...the term "cognition" refers to all the processes by which the sensory input is transformed, reduced, elaborated, stored, recovered, and used. It is concerned with these processes even when they operate in the absence of relevant stimulation, as in images and hallucinations. Such terms as sensation, perception, imagery, retention, recall, problem solving, and thinking, among many others, refer to hypothetical stages or aspects of cognition... given such a sweeping definition, it is apparent that cognition is involved in everything a human being might possibly do; that every psychological phenomenon is a cognitive phenomenon” (p. 4). Neisser’s definition of cognition characterise people as dynamic information-processing systems. The cognitive approach focuses on the way humans process information, examines how information reaches the person (stimuli in the term of behaviourists) and is managed, and how this management is connected to responses. In other words, the cognitive approach lays its main interest in the variables mediating between stimulus/input and response/output and emphasises the importance of perception, attention, memory and language.

Current cognitive research on entrepreneurship focuses on entrepreneurial thinking and cognitive phenomena associated with opportunities (Kruger, 2003). Mitchell *et al* (2002, p. 95) define entrepreneurial cognitions as “knowledge structures that people use to make assessments, judgments, or decisions involving opportunity evaluation, venture creation, and growth. In other words, research in entrepreneurial cognition is about understanding how entrepreneurs use simplifying mental models to piece

together previously unconnected information that helps them to identify and invent new products or services, and to assemble the necessary resources to start and grow businesses”. This definition is offered as a useful starting point for further work in this field because it incorporates thinking and perception issues developed by cognitive psychologists, while comprehending the domain of entrepreneurship research. Latest entrepreneurial cognition research begins to pay attention to entrepreneurial decision-making process. Bridge *et al.* (2003, p. 75) argue that “Whilst the personal characteristics of individuals may play a part in determining who becomes an entrepreneur, it is more important to examine the decision-making process by which individuals choose to act entrepreneurially”. Despite that cognitive approach is well recognised for its potential contributions on entrepreneurship research (e.g. Bridge *et al.*, 2003; Delmar, 2006), there is limited use of such approach in addressing the ethical perspective of entrepreneurship.

The cognitive approach has the potential to address the ethical decision making process of individuals. In Crane and Matten’s terms (2007, p. 140), “[f]rom an ethical decision-making point of view, knowing about the differences in the cognitive processes of individuals can clearly help us to improve our understanding of how people decide what is the morally right or wrong course of action”. The cognitive approach enables researchers to combine endogenous and exogenous factors in explaining the ethical decision making of individuals. “Cognitive theorists argue that decisions are made, not on the basis of reality, but on the basis of *perceived* reality” (Krueger, 2003, p106). Decision making is thus a process in which individuals notice, extract, interpret and use the environmental and organisational factors to construct meaning and guide their actions. The application of the cognitive approach in exploring entrepreneurial ethical decision making needs to take into account of some other considerations.

Firstly, entrepreneurial personality and motive traits may have an influence on ethical decision making process of entrepreneurs. Vandekerckhove and Dentchev (2005) state that the traits of need for achievement, locus of control, and need for independence show that entrepreneurs tend to take a central position in their stakeholder environments. They find that entrepreneurs thus have the following

propensities in their behaviours, which directly raise ethical concerns. Entrepreneurs tend to be reluctant to put another stakeholder in charge to resolve an issue. Additionally, entrepreneurs tend to be reluctant to approach those issues that one cannot solve alone. Furthermore, entrepreneurs are likely to have an unwillingness to establish contacts with less important stakeholders. These authors thus propose an intentional analysis for entrepreneurs to overcome these tensions, which are seen as a result of these traits. They further propose that attention should be given to the interaction between entrepreneurs and stakeholders, and emphasise the stakeholder in constituting their approach to any specific issue.

Secondly, dynamic and complex ethical situation should be considered during the application of a cognitive approach to the ethical decision-making process of entrepreneurs. Delmar (2006) suggests that entrepreneurship researchers applying a cognitive approach should take into account the psychological characteristics of entrepreneurs, situational variables and personal background factors. The contribution of the cognitive perspective, then, is that it makes it possible to better understand the interaction between the characteristics of the situation and the traits of entrepreneur in individual terms. Buchholz and Rosenthal (2005) suggest that entrepreneurship is centred on imagination, creativity, novelty and sensitivity, which, as well as “concrete situations,” are crucial for moral decision-making. These authors emphasise the importance of locating morality in the realm of interests, emotions, and desires that are part of human experience. They challenge traditional philosophical approaches by emphasising that “the function of moral reasoning is to rationalise and provide clear standards of rational justification for directives by which to live the moral life and evaluate the moral practise of individuals and institutions” (p. 308). They argue that “Morality is to be discovered in concrete human experience where conflicting interest and desires need to be adjudicated rather than conflicting moral principles or rights that are debated in the abstract. Such abstractions do not make contact with the way people actually behave and the way they go about make decisions” (p. 309).

Researchers applying a cognitive approach propose that changes in the presentation of the situation or environment may lead to similar changes in the moral decision making and behaviours of entrepreneurs (Ackoff, 1987; Solymossy & Master, 2002).

Decision making and the characterisation of certain behaviours are heavily based on how individuals perceive any given situation or environment and, indeed, how it is presented to them. Therefore, some studies suggest safe ways to guarantee ethical-moral behaviour by providing decision-making methods and suggesting the involvement of stakeholders (e.g. Ackoff, 1987). Solymosy and Master (2002) designed a cognitive model of ethical decision-making for small business entrepreneurs. Four discrete steps are designed to reflect the real situations where the entrepreneurs encounter moral issues: recognising moral issues, making moral judgements, cognitive moral development and engaging in moral behaviour. There are, however, some concerns regarding the practical use of these methods and models. The approach presupposes that entrepreneurs are willing to be moral, and may have to address some practical issues of entrepreneurship. The research question focuses on how to motivate or stimulate entrepreneurs and small businesses to behave more ethically. Following this approach, researchers often have the answers of what and how entrepreneurs should do rather than how entrepreneurs account for what they do. The latter one is, in my opinion more valid to reflect the real situation, where entrepreneurs address right and wrong issues.

Entrepreneurs, nevertheless often find themselves facing dynamic and complex ethical situations and dilemmas. They are not always willing to behave ethically. "Human beings have free will. This means that even under ideal political-economic conditions they have a choice as to whether to do anything at all, as well as what to do, with the capital at their disposal" (Machan, 1999, p. 597). Entrepreneurs thus may choose to behave unethically for their own good instead of that of society. Meanwhile, entrepreneurs' ethical stances may be pressured and heavily influenced by their perception of relevant environmental features. First, an often stressful working environment makes it impossible for entrepreneurs to input much time, energy and money into the ethical consideration of every new venture. In addition, even if entrepreneurs are willing to internalise ethical principles into their decisions, the rigid environment in which they carry out their business sometimes excludes the ethical option, especially against a background of intensive competition in the global and local marketplace. Furthermore, the organisational and environmental characteristics complicate the situation where entrepreneurs are concerned. Ambiguity and

uncertainty are common in ethical issues. People often find themselves in ethical situations, where they either have too many interpretations (ambiguity) or ignorant of any interpretations (uncertainty). Conflicting values and beliefs make it difficult for entrepreneurs to apply a predetermined decision-making process. Employing a cognitive approach thus means taking into consideration the dynamic and complex interactions between individuals and situations and the influence of personality traits on these interactions.

A sense-making approach has the potential to advance the contribution of cognitive approach to business ethics research in relation to entrepreneurship. Specifically, the sense-making approach is of use in achieving the aim and objectives of this study. Ethical issues and situations are embedded in ambiguous and uncertain conditions (Trevino, 1986). Such conditions are the common occasions for sense-making (Weick, 1995). Sense-making is “the reciprocal interaction of information seeking, meaning ascription, and action” (Thomas *et al.*, 1993, p240). Researching ethical sense-making of entrepreneurs enables us to grasp the dynamic and complex interactions between the individuals and their ethical situations. As a result, employing sense-making approach will advance our understanding the business ethical issues and challenges related to new venture creation. In addition, “[S]ense-making is about such things as placement of items into frameworks, comprehending, redressing surprise, constructing meaning, interacting in pursuit of mutual understanding, and patterning” (Weick, 1995, p. 6). Researching the sense-making process of entrepreneurs can advance our knowledge on the ways entrepreneurs understand, interpret, and respond to these issues.

Sense-making approach contributes to fulfilling other objectives of this study. Sense-making is described as “a process in which individuals develop cognitive maps of their environment” (Ring & Rands, 1989, p. 342). Researching the ethical sense-making of entrepreneurs is to investigate the process of developing their cognitive map and examine the relevant factors involved through the retrospective accounts of entrepreneurs. Thus sense-making approach is of use in identifying the institutional features and factors involved in the role of being an entrepreneur. Finally, “comparing sense-making across time, space and people will yield ... patterns of both centrality

(homogeneity and agreement) and dispersion (diversity and disagreement). Each is to be pursued by asking fundamental questions: under what condition would this occur? What implications result?" (Dervin & Frenette, 2001, p. 76). Thus sense-making approach contributes to advance the knowledge on the business ethics in relation to entrepreneurship in different socio-cultural systems.

Sense-making has a social property. In contrast to other cognitive approaches centring on individual level of analysis, sense-making approach emphasises that sense-making is a social process, which shapes the interpretations of individuals (Weick, 1995). Weick cites Blumer (1969, p. 8) to stress the social property of sense-making:

"Human beings in interacting with one another have to take account of what each other is doing or is about to do; they are forced to direct their own conduct or handle their situation in terms of what they take into account. Thus, the activities enter as positive factors in the formation of their own conduct; in the face of the actions of others one may abandon an intention or purpose, revise it, check or suspend it, intensify it, or replace it. The actions of others enter to set what one plans to do, may oppose or has to fit one's own line of activity in some manner to the actions of others. The actions of others have to be taken into account and cannot be regarded as merely an arena for the expression of what one is disposed to do or sets out to do" (p. 40).

Thus people who study sense-making pay much attention to social interaction and the use of language as intermediary. Such approach is close to the propositions of social constructionism.

This study therefore adopts social constructionist theory. The social constructionist approach emphasises the importance of social interactions and language in the construction of social reality. Instead of focusing on the matter of individual minds, social constructionist researchers direct attention outward to "the world of intersubjectively shared, social constructions of meaning and knowledge" (Schwant, 1994, p. 127). Thus, in business ethics studies, social constructionism is able to provide a dialogic viewpoint to study the assumptions and implicit theories that

people draw on when they engage in ethical sense-making practices and produce accounts of them.

It is for these advantages that this study adopted the combination of social constructionist and sense-making approaches in order to develop knowledge of business ethics in relation to entrepreneurship. Both of approaches share the common ground that meaning and knowledge are constructed in the dynamic interactions between environment and individual, between structure and agency. These dynamic interactions are also emphasised by the neoinstitutional and structuration theories.

2.5. Institutional Theory

An understanding of the concepts of institutionalism and related theory provides further justification for the methodology adopted by this study. “A focus on the centrality of cognitive system systems forms the foundation for the sociological version of the new institutionalism in organisations” (Scott, 2001, p. 17). Thus it is of great importance to interweave institutional theory into the conceptual framework. This study is focused on the ethical perspectives related to entrepreneurship – that is, to identify patterns in the way in which entrepreneurs understand, interpret, and respond to the business ethical issues they face and clarify institutional factors contributing to the formation of these patterns. The following section will articulate the institutional dynamics underpinning ethical perspectives of entrepreneurship.

2.5.1. Institutional Theory and Its Development

As one of the most important social theories, institutional theory has gathered considerable academic attention (Meyer & Rowan, 1977; Zucker, 1977; Scott & Meyer, 1983; DiMaggio & Powell, 1983, 1991; North, 1991, 2004). North (1991, p.97) highlights the importance of institutions human interactions, particularly economic exchange. He points out,

Institutions are the humanly devised constraints that structure political, economic and social interaction. They consist of both informal constraints (sanctions, taboos, customs, traditions, and codes of conduct), and formal rules (constitutions, laws,

property rights). Throughout history, institutions have been devised by human beings to create order and reduce uncertainty in exchange. Together with the standard constraints of economics they define the choice set and therefore determine transaction and production costs and hence the profitability and feasibility of engaging in economic activity. They evolve incrementally, connecting the past with the present and the future; history in consequence is largely a story of institutional evolution in which the historical performance of economies can only be understood as a part of a sequential story.

Institutions are primarily concerned with the development of the ‘taken-for-granted’ assumptions, beliefs and values, which motivate, regulate, empower or deny individual or organisational activities and practices. North (2004) pays attention to the important role of “power” in the development of institutions. In his opinion, economic actors’ pattern of behaviours and their political, social and economic interactions are affected by the power of others – e.g. skilled workers’ bargaining power (p.65), power of governments or states (p.124, 139); bargaining power of organisations and groups (p.101), and many others. Through examining entrepreneurs’ description their relative power upon others, this study is able to advance knowledge regarding entrepreneurs’ social interactions, their identity construction, and their enactment in addressing issues of right or wrong. The concept of power is of particular importance in cross-cultural studies of institutions. A notable example is Hofstede’s (1983, 1991) using cultural dimension of power distance to explain the cultural difference in relation to managerial values and behaviours (see more details in Chapter 3).

Institutional theory is becoming a dominant theoretical perspective in organisation theory research (Lemke *et al.*, 2001). In this study, the institutional framework has provided useful insights into the ethical perspective in the process of new venture creation. Much business ethics literature utilises institutional theory in addressing various ethical practices. The findings of these studies highlight the influence of social, political, economic, and cultural forces on the practice of business people and their organisations.

Institutional theory is “a way of thinking about formal organisation structures and the nature of the historically grounded social processes through which these structures develop” (Dillard *et al.*, 2004 p. 508). Institutional theory has been employed in a wide range of organisation literature. The potentially wide applicability of institutional theory is derived from all organisations’ institutionalised nature, although of course this institutionalisation is to varying degrees (Scott, 1995). It means that all organisations are socially constituted and are the subject of institutional processes that “define what forms they can assume and how they may operate legitimately” (Scott, 1995 p. 136).

What is an institution? In the words of Jepperson (1991), an institution “represents a social order or pattern that has attained a certain state or property”; institutionalisation “denotes the process of such attainment” (p. 145). Scott (2001, p. 48) provides an omnibus conception of institutions from five perspectives:

- Institutions are social structures with a high degree of resilience.
- Institutions are composed of cultured-cognitive, normative, and regulative elements that, together with associated activities and resources, provide stability and meaning to social life.
- Institutions are transmitted by various types of carriers, including symbolic systems, relational systems routines, and artefacts.
- Institutions operate at multiple levels of jurisdiction, from the world system to localized interpersonal relationships.
- Institutions by definition connote stability but are subject to change processes, both incremental and discontinuous.

Scott (1995, 2001) classified institutional studies into three pillars: the regulative pillar, the normative pillar and the cognitive pillar. Each of them underscores a vital ingredient of institutions. The three pillars and various institutional schools present the many facets of institutional studies, with varying emphases on institutional component elements: assumptions, mechanisms, indicators and carriers.

Three Pillars of Institutional Theory

	Pillars		
	Regulative	Normative	Cognitive
Basic of compliance	Expedience	Social obligation	Taken-for-grantedness Shared understanding
Basis of order	Regulative rules	Binding expectations	Constitutive schema
Mechanisms	Coercive	Normative	Mimetic
Logic	Instrumentality	Appropriateness	Orthodoxy
Indicators	Rules, Laws, Sanctions	Certification, Accreditation	Common beliefs, Shared logics of actions
Basis of legitimacy	Legally sanctioned	Morally governed	Comprehensible Recognisable Culturally supported

Source: Scott, W. R. (2001). Institutions and Organisations (2nd Ed). London: SAGE p. 52

The regulative pillar highlights the regulative aspects of institutions (Scott, 2001). Intensive attention has been drawn to the regulatory process - the process whereby institutions constrain and regularise behaviour including rule-setting, monitoring and sanctioning activities. According to Scott (2001), theorists focusing on the regulative pillar are likely to embrace a social realist ontology and rational, logical choice of action. The normative pillar places the emphasis on the introduction of “a prescriptive, evaluative, and obligatory dimension into social life” (Scott, 2001, p. 54). Substantiated as values and norms, normative systems define goals and objectives and designate appropriate ways to achieve them. The cognitive pillar focuses on the internal dimension of human existence: “mediating between the external world of stimuli and response of the individual organism is a collection of internalised symbolic representation of the world” (Scott, 2001, p. 57).

Institutional theory is applied extensively in organisation research and mainly deals with the organisation’s interaction with the institutional environment (Martinez & Dacin, 1999). It is of critical significance to the survival and development of organisations that they interact with their environment in ways perceived as acceptable to their constituents in that environment. That is, “Organisational activities are motivated from the imperative of legitimacy-seeking behaviour, which in turn is influenced by socially constructed norms” (Dillard, *et al.*, 2004, p. 508). Martinez and Dacin (1999) also emphasise the effects of social expectations on organisational practices, and characterise “acceptable”, “appropriate” or “legitimate” activities

highlighting the constraining or facilitating function of social expectation in shaping specific activities and practice. Accordingly, an actor's activities and practice will reflect the features of institutional environment and social expectation. The findings of the organisation researchers is also contributory to the research at individual level, in this study entrepreneurs, given the facts that individuals are also located in the dynamic and complex interactions with the institutional environments.

The dominant institutional environment faced by entrepreneurs and their organisations contributes to the variance of their activities and practices. There must be differences in perceiving what constitutes appropriate activities, good or wrong behaviours. As a result, the appropriate activities in one institutional environment probably are not that acceptable in another. That is even more apparent in an international context: western philosophy vs. eastern tradition, developed economy vs. developing economy, mature market capitalism vs. incomplete marketing system. The distinguished feature of institutional environment can provide a useful account of the differences of legitimating characteristic of entrepreneurial practice and activity. However, those approaches overemphasising the variances of behaviours risk fall into structural determinism and cultural essentialism, which highlight the constraining and controlling function of institutions – mostly cultural or economic institutions, and lacks of a dynamic view both of institutionalisation process and institutional environment.

Entrepreneurs and their organisations are institutionally embedded. Institutional environments are “characterised by the elaboration of rules and requirements to which individual organisations must conform if they are to receive support and legitimacy...” (Scott & Meyer, 1983, p. 149). People live in is a socially constructed world (Berger & Luckmann, 1967), which is defined by Barley and Tolbert (1997) as “a web of values, norms, rules, beliefs and taken-for-granted assumptions, that are at least partially of their own making (p. 93). The incorporation of institutionalised elements provides “prudent, rational and legitimate accounts” of organisational activities and protects the organisation from having its conduct questioned (Meyer & Rowan, 1977, p. 349). By designing a formal structure that adheres to the norms and behaviour expectations of the extant environment, an organisation demonstrates that it

is acting on collectively valued purposes in a proper and adequate manner (Meyer & Rowan, 1977). Thus, conscious efforts are made by the organisation to create, maintain and manage legitimacy in the eyes of external constituent groups in order to receive their continued support (Meyer & Rowan, 1977; DiMaggio & Powell, 1983; Tolbert & Zucker, 1983). A highly institutionalised environment is expected to exert considerable weight on organisations given “the ability of institutions to influence organisations to adopt practices consistent with institutional practices” (Greening & Gray, 1994, p. 471).

Isomorphism is a “constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions” (DiMaggio & Powell, 1983, p. 149). It represents the process by which the actor incorporates institutionalised environmental structures. The isomorphic process takes place “...via a broad array of adaptive processes occurring over a period of time and ranging from co-optation of the representatives of relevant environmental elements to the evolution of specialised boundary roles to deal with strategic contingencies” (Scott, 1991, p. 179). DiMaggio and Powell (1983) proposed three classifications in order to further clarify this process by referring to the types of motivations for adopting institutional practices: coercive, mimetic and normative. Coercive isomorphism emphasises the consequence of formal and informal pressures put forth by another party upon which it is dependent, and by expectations of the society within which it operates. Mimetic isomorphism denotes the institutional incorporation process that an organisation attempts to imitate a more successful referent organisation, a process that is often due to the uncertainty and lack of guidance in its own environment. Normative isomorphism stems from professionalisation, i.e. the collective struggle of members of an occupation to define their conditions and methods of work.

Early neoinstitutional theory laid emphasis on the constraining or controlling capacity of institutional mechanism in shaping individual or organisational activities (Meyer & Rowan, 1977; DiMaggio & Powell, 1983). This capacity functions by defining legal, moral and cultural boundaries of activities to set off the legitimate from illegitimate (Scott, 2001). However, besides prohibitions and constraints imposed on action, institutions also support and empower activities and actors with the provision of

guidelines and resources (Scott, 2001). However, such work has an insurmountable limitation in accounting for the institutionalisation process of ethical perspective of entrepreneurship. This significant critique has arisen because of the overemphasis on the constraining and controlling function of institutions – they either take business practices and activities solely as the outcomes of environmental pressure, or examine them as static social phenomena at the expense of its situational specifics and human agency, which underlies a dynamic nature and lays the emphasis on the importance of time and space. Two significant theoretical perspectives have been missed in applying institutional theory. First, inadequate theoretical attention is given to the institutionalisation processes whereby institutional practices are created, accepted, established, adopted, transformed, and discarded. Second, little weight has been given to the voluntaristic role of actors in interacting with the social, economic, political and cultural context; that is how the business people perceive, interpret, and respond to various social forces. DiMaggio (1988) points out that the approach focusing on the homogeneity and persistence of institutions have aroused a significant critique for its inattention of the actions of creating, adopting, modifying and rejecting the institutions.

Recent work has drawn more attention to the variation and change of institutions (Oliver, 1991; Goodstein 1994; Farjoun, 2002) and the voluntaristic role of agency (DiMaggio, 1988, DiMaggio & Powell, 1991). “Until recently, neoinstitutional researchers have concentrated their efforts on understanding the ways in which institutions arise and diffuse, studying construction and convergent change processes. During the past decades, however, they have accorded increased attention to how institutions decline, fail, and give way to new logics, actors, and forms” (Scott, 2001, p. 203). Scott (2001) argues that two main tensions cause institutional changes: external tensions and internal tensions. External tensions rise from the overlapping multiple institutions, which provide various templates (schemes or recipes in the words of Scott) for the action of social actors. Internal tensions are created as a result of the social actors applying a specific institution to specific situations. These social actors adapt and amend the rules for their various purposes. “[O]ver time, rules evolve and erode. Tensions arise within frameworks as regulative, normative, and cultural-

cognitive elements move out of alignment. Various collections of actors within the jurisdiction of a given institution can interpret the rules in conflicting ways” (p. 203).

These two tensions are also reflected by some business ethics research. Fisher & Lovell (2009) cite Billig’s work (1996) to describe the difficulties of ethical decisions: the various interpretations of the same value (internal tensions) and the multiplicity of conflicting values (external tensions). Fisher and Lovell argue that the problem or ethical dilemma in addressing ethical issues is to choose which of many values applicable to the situation. On the other word, the person has to set the priorities which values are more relevant and important than others in a diversified institutional environment.

The diversity of institutions “is derived from exogenous sources and perceptions, interpretation, and enactments of institutional logics by actors who give meaning and life to institutions” (Dacin, *et al.*, 2002, p. 47). On the one hand, institutions are located in a relational context, in which social factors are in dynamic interaction with each other. They compete with, restrain, facilitate or empower each other. It is from this dynamic that the structure emerges. On the other hand, actors are not playing a submissive role in their relations with the institutional environment. They select the environment, perceive, interpret and respond to the meaning of institutions, and incorporate perception and interpretation into their actions. These activities collectively will support, weaken or decrease extant institutions or even initiate the creation of new institutions. Indeed the arguments in institutional theory are derived from theoretical dichotomies of agency and structure, which are explained in next section.

2.5.2. Structuration Theory

Before further exploration of structuration theory, it is important to clarify the meaning of structure and agency. There is no a generally accepted definition for structure or social structure, one of the most important and elusive concept in social science (Sewell, 1992). In A Dictionary of Sociology (Marshall, 1998) it is described as a term “loosely applied to any recurring pattern of social behaviour”, or, more specifically, to the ordered interrelationships between the different elements of a

social system or society” (p. 648). In the opinion of Firth (1951), structure is merely served as an analytical tool in social science to facilitate the understanding of human behaviour, to which the social relations is of critical importance.

Giddens (1984) defines structure as “rules and resources, recursively implicated in the reproduction of social systems” (p. 377). He believes that human actors possess the capacity to “make a difference” (p. 14). Scott (2001) defines agency as “an actor’s ability to have some effect on the social world, altering the rules and distribution of resources” (p. 76). Earlier, this study explored both the endogenous (individual) and exogenous (organisational and environmental) explanations of the ethical perspectives of entrepreneurship. The argument, indeed, is an extension of the traditional academic debate over the role of structure and agency in shaping the social behaviours. The school of structuralist and functionalist focuses on the way that structural forces enable or disable special business practices and actions of actors. On the contrary, the school of hermeneutics and phenomenology emphasise the human agent role in perceiving, interpreting and constructing social life.

Structuration theory (Giddens, 1976, 1979, 1984) is one of the most noticeable attempts to reconcile the theoretical dichotomies of structure and agency. Structure is “the central component of institutional theory”; agency is “central to the notion of human influence”. Structuration theory framework postulates “a dynamic inter-relationship between structure and agency whereby changes in social structures and systems take place as a result of human action, which is both enabled and constrained by the structures” (Dillard, *et al.*, 2004, p. 519). This dynamic inter-relationship has been referred by Giddens as the “duality of structure.” Structuration is “the structuring of social relations across time and space, in virtue of the duality of structure”. (Giddens, 1984, p. 376). In this sense, structuration theory can be understood as a general social theory concerning the production and reproduction of social systems in social interaction.

In Giddens’ structuration theory, there are three different but inter-related structural types in social systems: signification structures, legitimation structures and domination structures. Signification structures are connected with symbolic

representations that produce meaning through organised webs of language. By means of norms, values and standards, legitimation structures are important in providing a moral order. Domination structures are concerned with power and involved with the control and mobilisation of resources. The actions of human agents are always located in a specific structure and imprinted with its characteristics; however, actions are not conducted without a reflexive consequence with the structure. As a result of actions, the components of structures are reinforced, modified or discarded.

Structure is constituted by two type of rules and two type of resources, which exist only as “memory traces, representing the organic basis of human knowledgeability, and are instantiated in action” (Dillard, *et al.*, 2004, p. 520). Rules are sorted in reference to legitimation and signification structures. Rules of legitimation aim to create normative regulation, and provide meaning and legitimacy to “correct and appropriate” actions. Norms and values and symbolic representations are associated with legitimation and signification structures, respectively, and provide legitimacy and meaning for initiating and evaluating action. Resources, both material and human, are associated with domination structures. The allocation of resources facilitates, or impedes, action and supports or retards development of signification and legitimation structures. Sewell (1992), in order to refine Giddens’ formulation, persuasively argues that rules (i.e. signification and legitimation structures) are virtually existing schemas, and resources (domination structures) are media and outcomes of the operation of these structures, and vice versa.

Structuration is the structuring of social relations across time and space, in virtue of the duality of structure. The duality of structure recognises structure as the medium and outcome of the agent’s actions that the structure recursively organises. Structural properties are the structured features of social systems, especially institutionalised features stretching across time and space. Social systems refer to the patterning of social relations across time and space, understood as reproduced practices. The structural properties of the social systems do not exist outside of action but are chronically implicated in its production and reproduction.

This study incorporates the theoretical representation of duality of structure into primary dynamics of institutional theory. Giddens' concept of structure, and the dynamics associated with human agency surrounding them, relate to the constructs of institutional theory. Institutional analysis is the social analysis that places in suspension the skills and awareness of actors. Structuration theory theorises the inter-relationships and interactions between agency and structure thereby providing an opportunity to theorise the influence of the actors' skills and awareness in the process of institutionalisation at the various levels. The institutionalisation process is one example of this interaction between structure and agency. By incorporating structuration theory into the conceptual framework, this research project will provide a possibility to present the institutionalisation process of entrepreneurship from an ethical perspective.

2.6. Conclusion

This chapter presents the general literature of linking business ethics and entrepreneurship. Despite the fact that entrepreneurs and their organisations contribute greatly to and change the economy and society, little attention has been given to the social and ethical implications of entrepreneurship. This study aims to fill this knowledge gap. The literature review here shows that more exploratory work is needed. Research interests focusing on individual (micro), organisational (meso) and environmental (macro) levels. The researcher intends to develop a conceptual framework with dynamic to incorporating the interactions between structure and agency. Thus a cognitive approach is adopted to advance understanding business ethics in relation to entrepreneurship – how entrepreneurs understand, interpret and respond to ethical issues.

The literature aiming to connect business ethics and entrepreneurship calls for a reconceptualisation. As indicated in the former sections, neither the individual, or organisational, or environmental explanation is able to provide comprehensive accounts and rationales for business ethics in relation to entrepreneurship. As a result, a new theoretical framework with the potential to combine factors at three levels has been placed on the agenda. It shall refocus the efforts toward a better understanding

of how the ethical practice is institutionalised in the dynamic interaction between entrepreneurs and the context wherein the business activities and practices are evolved. In the response of this calling, this study consequently elicits its proposition to build up its original conceptual framework by introducing social constructionism and sense-making theories into the field.

The literature reviewed in this chapter is largely based on the research conducted in a context of Western culture. This raised questions as to whether business ethics research targeting the cross-cultural contexts will yield more insights. In the next chapter, this study reviews literature regarding Chinese business ethics and cross-cultural managerial values with a comparison of those prevailed in Western business environments.

Chapter 3 Business Ethics and Cross-Cultural Studies

This chapter explores business ethics and entrepreneurship by reviewing the literature in cross-cultural contexts relevant to this study, specifically China and the UK. Although, this study focuses mainly on the British culture, Western culture as a whole will be discussed to yield a more comprehensive picture of literature. In effect, this study uses China as a representative of Eastern culture and the UK as an illustration of Western culture. The first section presents a picture of emerging private business in transitional China, focussing particularly upon the conditions of economic and political change and their implications for the emerging small business sector. Next, attention is turned to a discussion of current research linking business ethics and entrepreneurship in Chinese context. The analysis will then be extended to comparative studies of this link between Chinese and other cultures. The related theoretical arguments raised by the literature reviewed will also be presented where relevant, in order to gain a deeper understanding and further insight into the analysis and evaluation presented in the existing texts.

3.1. Emerging Private Business in Transitional China

A series of political and economic events has promoted the systematic development of private business and entrepreneurship in China. The rising of Chinese domestic private business may be dated to 1979 when china embarked upon wholesale economic reform and launched so-called ‘open-door policies’ to promote international trade and foreign investment levels within the Chinese economy. In 1988, the regulation requirements to which private enterprises were subject allowed for the first time that a private business could employ in excess of eight employees. It is however, only in 1992 that the Chinese private business sector in general fulfilled its full scope for growth and development after Deng Xiaoping, the former leader of Communist Party of China (CPC) called for bolder reform measures to develop private business and reconstruct the hitherto state-owned economy (Gregory, *et al.*, 2000). In 1997, the 15th CPC congress further reduced the legal and economic barriers to private ownership of firms. Finally in 2002, China was accepted as a full member of the World Trade Organisation (WTO). In 2003, the third plenary of the 16th CPC congress further institutionalised China’s market economy and passed a resolution to

permit private business owners to join the CPC. This latter development is particularly significant as the resolution has been seen as the formalisation of an ideological shift away from the previously dominant Communist ideology, which condemns class exploitation based on the private ownership of economic assets (Bian & Zhang, 2006). These historical events influence the formation of today's Chinese business environment and thus, directly affect the minds and behaviour of Chinese entrepreneurs. In the last two decades, China's private business and entrepreneurship has achieved impressive growth. The exact scale of this growth in Chinese private business activity and entrepreneurship are shown in the below table.

Growth of private enterprises/individual household business in China, 1989 to 2002

Year	Number of enterprises (millions) enterprises/individual household business	Percent increase from the previous year enterprises/individual household business	Number of employees (millions) enterprises/individual household business	Percent increase from the previous year enterprises/individual household business
1989	0.09/12.47	/-15.80	1.64/19.41	-14.20
1990	0.10/13.28	3.70/7.80	1.70/20.93	8.30/6.50
1991	0.11/14.17	8.20/7.90	1.84/22.58	9.90/6.70
1992	0.14/15.34	26.10/9.30	2.32/24.68	29.50/8.30
1993	0.24/17.67	60.80/19.10	3.73/29.39	70.40/15.20
1994	0.43/21.87	73.70/28.50	6.48/37.76	81.70/23.80
1995	0.65/25.28	47.50/22.20	9.56/46.14	51.40/15.60
1996	0.82/27.04	22.50/8.70	11.71/50.17	25.20/7.00
1997	0.96/28.51	15.20/8.50	13.49/54.42	17.30/5.40
1998	1.20/31.20	26.67/12.37	17.10/61.14	25.10/9.44
1999	1.51/31.60	18.25/2.10	20.22/62.41	25.64/1.30
2000	1.76/26.71	18.99/-18.76	24.06/50.70	16.76/-18.63
2001	2.03/24.33	12.80/-6.11	27.14/47.60	15.14/-5.82
2002	2.44/23.77	25.63/-0.36	34.09/47.43	20.05/-2.28

Figures are drawn from the series of reports (1978 – 2003) of the development of private business in china by Zhang et al. (1998-2003)

According to the data presented in the above Table, by the end of June 2007, the number of private enterprises reached 5.21 million, which was 5,789 times the figure of 1989. Private enterprise provided 69.28 million job opportunities. Individual/household businesses amounted to 26.2 million, an increase of 210% since 1989. Individual/household businesses in turn employed 53 million people¹. The

¹ The figures of 2007 are from the statistical report of State Administration for Industry and Commerce (SAIC), China.

speed of the rise and subsequent expansion emphasises further the increasing importance of the private businesses in China's wider economic and social life.

Most attention thus far in the existing literature has been given to the relative economic contributions of the private business sector in China. China's private businesses account for more than a third of China's gross domestic product and continuously contribute to China's economy in terms of income and employment of growth. "China's economic success in the past twenty-five years has been less a result of reviving state-owned enterprises (SOEs) than a consequence of creating an increasingly market-oriented environment in which non-state owned firms have been able to survive and flourish" (Tusi *et al.*, 2006, p. 4). Undoubtedly current research into this area supports the assertion that private business is becoming the most important engine of growth within the Chinese economy. Indeed, this claim is further supported by Li's (2006) finding that the growth of non-state sectors outpaces the state sector. The non-state sector raised its share of China's total industrial output from 35% in 1985 to more than 66% in 2003. Its contribution to industrial growth was about 35% to 45% in the 1980s, about 60% to 70% in the 1990s, and about 80% in the early 2000s. The author thus argues that China's reform experience may be distinguished from those of other transition economies, in large part due to the outstanding performance of the Chinese non-state sector. Given the share of the non-state sector in China's economy, there is little doubt that this sector has become a determining factor of the overall performance of the country's economy" (p. 144). However, the distinctions between private, collective and state-owned business remain ambiguous. This opaque definition of private business creates the tangible risk of significant under-valuation of the relative importance and economic contribution of the private business sector within China's economy.

The definition of private business is anything but a monolithic concept (Schoonhoven, 2006). Gregory *et al.* (2000) identifies the private business in China as the non-agricultural individual and household businesses employing fewer than eight individuals and private enterprises employing eight or more individuals. This category is in line with official definitions of private business and was formed as a result of 1988 constitutional changes, which allow private business to hire more than seven

employees. Tsui *et al.* (2006) suggests that the China's private business list should be expanded to take into account urban and rural township-and-village enterprises, spin-offs of state-owned enterprises and publicly listed joint stock companies. The discrepancy between the official and real identification of private businesses has in turn caused the inaccurate measurement of the contribution of private businesses in terms of the pure number in existence, levels of employment attributable to them, levels registered capital within the sector, and the overall output accounted for by these businesses. These measures are clearly of critical importance in reflecting the social and economic significance of private business, and it is therefore highly significant that the existing literature and research into this area has a distinct tendency to seriously underestimate these levels, due in large part to their reliance upon and adoption of current official categorisations of Chinese private business activities.

Researchers continue to explore the social and ethical implications of entrepreneurship. They attempt to account for the primary cause and dynamics of private business sector from three sociological perspectives (Bian & Zhang, 2006): the market transition perspective, the entrepreneur-bureaucracy connection perspective, and the social roots perspective.

Sociological accounts of emerging private business in China

	Market transition perspective	Entrepreneur-bureaucracy connection perspective (network capitalism)	Social roots perspective (network capitalism)
Assumption of rationality	Instrumental	Social and instrumental value orientation	Instrumental and family-loyalty-oriented
Explanatory Variable	Market institutions	Patron-clientelist ties	Family-centred loyalty and trust
Emphasised social network	Horizontal trade networks	Vertical clientelist ties	Family-centred networks
Prediction for social change	Standard capitalism	Petty capitalism/clientelist capitalism/local state corporatism	Family based capitalism

Source: From (Bian & Zhang, 2006, p. 31)

The market transition perspective proposes that the market-oriented Chinese economy and society will increasingly display characteristics of modern capitalism and

eventually assume a parallel socioeconomic order to that of Western capitalist societies (Nee, 1989; Nee & Matthews, 1996). The role of entrepreneurs will be one of ambitious and proactive agents of change. By contrast, the entrepreneurs-bureaucracy connection perspective suggests that the private business sector and its recent growth was born out of and continues to live on business-government ties. This perspective sees entrepreneurship as a dependant upon a strong officialdom (Bruun, 1993, 1995). As a result, China will assume a “petty capitalism” pattern, in which production is subordinate to and subsumed within the state-dominant economic system (Gates, 1996). Wank (1995a, 1999) argues that private business is a client of local bureaucratic patrons and that their relationships are thus central state independent. In this vein, Oi (1998, 1999) suggests that acting as business corporations, local governments exercise control over business and thus achieve economic and political benefits for their own sakes and those of the localities. Finally, the social roots perspective emphasises the importance of a family-centred structure in the rise of private business in China (Gold, 1990). The social roots perspective propounds that people not merely motivated by pursuing their personal interests; instead, they endeavour to comply with the ethics and norms of family, kinship, and social networks (Bian & Zhang, 2006). Despite the theoretical differences, these three perspectives should be seen as complementing each other and addressing in holistic terms the nature and means of growth of the business environment associated with the private business sector in China.

The above literature clearly exposes Chinese entrepreneurs and their businesses as important components of the private business sector and further, that they are located in a complex socioeconomic environment. They are subject to influences from the economic, political, social and cultural spheres operating on the environment, while their own entrepreneurial activities directly and profoundly affect China’s economic performance and societal life. This study focuses on investigating the ethical perspectives of entrepreneurship and thus complements this holistic approach to the understanding of entrepreneurship. The next section discusses the links between business ethics and entrepreneurship with China as the relevant contextual base to be systematically compared with other cultures.

3.3. Culture and Cross-Cultural Studies

Institutions and culture are interrelated conceptions. Baker *et al.* (2006, p. 3, p. 4) indicate,

“From a neo-institutional perspective, institutions are the building blocks of any human society. Developed historically, institutions are thought of as packages of culture that define a particular sector of society. In this perspective on institutions, culture is everyday knowledge that is institutionalised as theories or models of the everyday world, also referred to as scripts, scenarios, and schemata (as well as templates). Culture is seen as the fundamental product of institutions, and its nature is that of a conceptual theory by which social actors define actorhood and meaningful action (Meyer & Jepperson, 2000) ... Institutions are the creators and transmitters of human culture at any given historical time period. Institutions generate, legitimate, and transmit culture into everyday consciousness of ordinary people formed from collectively adhered to meanings of reality”

Thus the knowledge of culture is essential to understand institutions and the process of institutionalisation.

There are a variety of definitions of culture given by existing researchers, each influenced by the nature of their own research interests and relative discipline of the study. Kroeber and Kluckhohn (1952) address the accumulative complexity of the definitional process and compile a list comprising over 160 definitions of culture. This study largely utilises the definition of Hofstede stated in the following terms (1980, p. 25): “Culture is the collective programming of the human mind that distinguishes the members of one human group from those of another. Culture in this sense is a system of collectively held values”. This definition has been chosen for the purposes of this work largely because it explicitly recognises that culture is a product of the human mind and emphasises the shared meaning of knowledge relevant to the concept. This definition is thus compatible with the theoretical basis of this study. National culture is thus understood as a set of collective beliefs and values, distinguishing people of one nationality from those of others (Hofstede & Hofstede, 2005). People from different cultural backgrounds adhere to contrasting rules

regarding social interaction and hold distinctive perceptions, values and beliefs (Reisinger & Turner, 2003). This study seeks to examine the influence of national culture specifically on individual ethical and business values, beliefs and hence behaviours.

3.3.1. Cultural Dimensions

Based upon their own empirical findings, previous culture-related literature has identified different relevant cultural dimensions (Hall, 1983, 1989; Hall & Hall, 1987; Hofstede, 1980, 1983; Adler, 1991; Hampden-Turner & Trompenaars, 1993; Trompenaars, 1993; Maznevski, 1994; Schwartz, 1994; Trompenaars & Hampden-Turner, 2002; Hofstede & Hofstede, 2005). These researchers continue to explore the important dimensional differences between national cultures. For example, Chen and Partington (2004) combine the dimensional models of Hofstede, Schwartz and Trompenaars and find significant differences in values and beliefs between Chinese and UK project managers as shown in the below tables.

Important dimensional differences between Chinese and Western cultures

Chinese culture	Western culture (UK & USA)
Collectivism	Individualism
Large power distance	Small power distance
Strong uncertainty avoidance	Weak uncertainty avoidance
Long-term orientation	Short-term orientation
Outer-directed	Inner-directed
Relationship	Contractual
Conservatism, tension between hierarchy and harmony	Autonomy, tension between mastery and egalitarian commitment/harmony

Source: Chen & Partington (2004, p. 399)

The authors perceive that these seven cultural dimensions exert a significant influence on the varieties of ethical and business values and beliefs in China and the UK respectively. The cultural dimensions may cause significant heterogeneities in what people perceive as right or wrong in different socio-cultural contexts and what

constitutes ethical issues. For example, during many Chinese commercial transactions, developing personal relationships has been seen as a necessary procedure and mutual trust has been assigned greater importance than contracts. Nevertheless, in most of western countries, personal relationship is considered with less importance and down playing contracts has been regarded as ethically wrong. This study thus further explores various cultural dimensions in order to advance this type of comparative understanding of national culture and most specifically, its influence upon the individual businessperson.

Individualism /Collectivism

The individualism /collectivism dichotomy refers to the way in which people perceive themselves and pursue the meaning of life as an individual or as part of their community. This distinction is informed by five primary characteristics: the relationship between personal and collective interests and goals; emotional dependence on the collective; group solidarity, sharing, duties and obligations; identity based in the social group; and feelings of involvement in one another's' lives (Hui & Triandis, 1985). According to Chen and Partington (2004), in collectivist China, employees' personal interests and goals are subordinate to those of the organisation as a whole, as their self-identity derives from, and is enhanced by, their group membership. In contrast, within the individualist Western society, priority is usually given to self-interests over those of the collective, as individual self-identity derives from, and is enhanced by, self-sufficiency and self-pursuit of personal goals.

Power Distance

Power distance reflects the extent to which people accept that power is distributed unequally. Hofstede and Hofstede (2005) point out that low power distance facilitates a more consultative or democratic approach to power relations and informs a view of people as equals regardless of their formal positions within an organisation or society. Within this power distance structure subordinates are more comfortable in expressing their views and in turn demand the right to contribute to any relevant critique of the decision-making of those in power. However, in direct contrast, high power distance favours more autocratic and paternalistic power relations. Within this structure subordinates accept the power of others deriving from their formal, hierarchical

positions. Thus the ideal leader in Chinese culture (with high power distance) would be a benevolent autocrat, while in Western culture (with low power distance) it would be a resourceful democrat. Chen and Partington (2004) argue that both Individualism/Collectivism and power distance dimensions influence the leadership style and the relationship between subordinates and superiors. In collectivist China, group solidarity, sharing, duties and obligations are emphasised and individuals are obliged by affection and loyalty to one another. The subordinate-superior relationship has a much stronger moral basis. Within the more individualist Western culture however, individual freedom and preferences are emphasised, and the subordinate-superior relationship is more contractually based.

Uncertainty Avoidance

Uncertainty avoidance is defined as “the extent to which the members of a culture feel threatened by ambiguous or unknown situations. This feeling is, among other things, expressed through nervous stress and in a need for predictability: a need for written or unwritten rules” (Hofstede & Hofstede, 2005, p. 167). In a high uncertainty avoidance culture, people have a low tolerance of uncertain situations and thus follow strict laws and rules in order to minimise the possibility of encountering an unknown situation. By contrast, in a low uncertainty avoidance culture (Western countries) people are less likely to rely on rules and regulations. This is because in such a culture relevant actors are more resistant to unknown situations and tend to manage their emotions more effectively (Hofstede, 1980). However, Hofstede (1991) admits that this dimension is not empirically supported in China by his survey. He explains that it is because that Chinese emphasise values of virtue rather than truth.

Long/Short-term Orientation

Long-term orientation (LTO) stands for “the fostering of virtues oriented toward future rewards – in particular, perseverance and thrift”; and short-term orientation (STO) stands for “the fostering of virtues related to the past and present – in particular, respect for tradition, preservation of “face” (individual prestige), and fulfilling social obligation” (Hofstede & Hofstede, 2005, p. 210). Though both LTO and STO contain Confucian values, Hofstede (2005) finds that the Chinese approach is more long-term while the UK and other western countries take a more short-term perspective.

Relationship/Contractual

Chinese relationship culture values long-term co-operation and emphasises mutual benefits, while Western culture highlights contractual relationships (Chen & Partington, 2004). Culturally rooted relationships are more valued than the contract in Chinese business activities (Wong & Chan, 1999).

Outer/Inner-Directed

Researchers continue to explore other cultural dimensions which contribute to our understanding of Chinese ethical and business values and behaviours. Hampden-Turner and Trompenaars (1993) focus upon the dimension of outer/inner-directed. This concept refers to whether people perceive themselves as inter-directed (or internal locus of control, discussed in Section 2.3.1.), and possessing control over their environment; or outer-directed (or external locus of control, discussed in Section 2.3.1.) and being controlled by one's environment. Chen and Partington, (2004) suggest that Chinese culture displays an outer-directed characteristic, while Westerners in contrast, tend to be inner directed. The outer-directed characteristic along with Chinese collectivism, harmony, and relationship culture influences Chinese business people, especially in relation to their approach to conflict resolution (Pheng & Leong, 2000). Thus when resolving conflicts, Chinese businesspeople tend to emphasise the importance of harmony, the preservation of "face", the need to maintain good relationships and avoid direct debates or confrontation. This may be contrasted with Westerners who generally encourage open discussion in the context of disagreements and conflicts in order to get problems solved quickly rather than quietly (Chen & Partington, 2004).

Legal Culture

Legal culture refers to the extent of the systematic reliance on legal constructs and the relative stability in patterns of legally oriented social behaviours and attitudes. Researchers in this area rarely mention legal culture as a significant and relevant cultural dimension, despite the fact that there were substantial differences in pertinent values, beliefs and behaviours of people across cultures, particularly between China and Western countries. Part of the reason for this is the common belief that the transition economy will eventually establish a legal system and infrastructure akin to

the Western countries. Current legal culture in the transition economy is nothing more than a contingent and transitory phenomena. This study, however, explores the ethical varieties of entrepreneurs informed by the different value systems across cultures. As such, the relative legal culture in place has been treated as an important cultural dimension influencing individuals' values, beliefs and thus their sense-making of ethical issues.

Despite China's great efforts with respect to legislation used to advance market-oriented economic reform, what we may term a legalistic culture is not currently established within Chinese society. As Guthrie (1998, p. 271) states "a legalistic culture runs much deeper than the simple construction of laws. The existence of laws on paper does not necessarily imply that social and economic players in the society will understand or view the laws as important in their daily lives, and this type of transition is viewed as an incremental process that will occur in China over a significant amount of time." Thus we may observe that significant differences still exist between Chinese legal culture and that of Western societies. It is well recognised that Western legal cultures are indeed legalistic in nature and legalism is seen as a clear feature of Westerners' typical business routines (Lin & Miller, 2003). It should be noted that Chinese businesspeople are more likely to rely on their personal relationships, rather than contractual relations to govern business interactions (Wong & Chan, 1999). Furthermore, the law is emphasised as a means of punishment and governmental control, as opposed to a means of preserving rights, freedom and justice (Liang, 1989). Peerenboom (2002) suggests that the traditional Confucian emphasis of personal virtue may cause the reluctant and reticent attitude of the Chinese businessperson towards the law. This tradition, along with the cost considerations associated with reliance upon the legal system to regulate business dealings, leads to the practices that the Chinese prefer informal procedures to resolve disputes.

In summary, these identified cultural dimensions exert significant influences on the individual values, beliefs and behaviours of economic actors and entrepreneurs and some of them are successful in distinguishing East from West. For example, the large power distance is commonly accepted in Chinese culture while Western business is considered with much smaller power distance. Thus Chinese employers possess

considerable more authority and power upon their employees than their British peers. As a result, autocracy may be less ethically debated in China than in Western countries. Many researchers use the culture dimensions to account for the heterogeneities, which they identified between business populations from different socio-cultural contexts. This study argues the exploration of entrepreneurs' external environments should be also balanced by considering the influences from other forces, including economic, social and political forces. The researcher examines these cultural dimensions as well as influences from other factors in detail as part of this study in order to properly evaluate entrepreneurs' minds, perceptions and approaches regarding ethical issues in the cross-cultural contexts. Among culturally related concepts, *guanxi* is a critical one distinguishing many Chinese business practices from those of Westerners.

3.3.2. *Guanxi* and Its Core Conceptions

Guanxi is an important concept in understanding Chinese peoples' life. Bian (1997), defines *guanxi* as "relationship or relation, but its essence is a set of interpersonal connections that facilitate exchanges of favours between people (p. 369)". In a similar vein, Davies *et al* (2003) define the concept as "interpersonal relationships based on particularistic criteria or ties". *Guanxi* is developed on the basis of blood relations or social interactions, including those through intermediaries (Tsang, 1998). Strong *guanxi* requires that "the individuals must interact, exchange some favours, build trust and credibility, and work over time to establish and maintain the relationship. Actions supporting the development of strong *guanxi* may include invitations to visit one's home or place of business, entertainment, gifts, use of supportive intermediaries and such things as hiring the offspring of the subject party" (Dunfee & Warren, 2001, p. 192). Su *et al* (2003) indicates that "*guanxi* is inherent in Chinese peoples' work ethic and can be conceived as a cultural way of doing business in China. Indeed, the purpose of *guanxi* is to share the scarce resources that otherwise are not available" (p. 310).

Guanxi and its practices therefore play an important role in Chinese business life. For example, the Chinese tend to distrust strangers until they have the opportunity to get to know them (Chu & Ju, 1993). *Guanxi* enables the formation of a resource coalition

by which business associates share resources and enjoy assistance, both of which are difficult to acquire by other means (Tsang, 1998). *Guanxi* is particularly important to private businesses, as they possess lower levels of resources than other economic actors such as state owned enterprise and joint ventures in China. *Guanxi* can further be useful in gaining access to new customers, retaining existing clients, facilitating business operations, or avoiding government investigations (Dunfee & Warren, 2001). Davies *et al.* (1995) indicate that *guanxi* benefits businesses in three specific ways. Firstly, *guanxi* can serve as the source of information regarding market trends, government policies, import regulations, and business opportunities. In addition, *guanxi* yields benefits in accessing and securing resources including import license applications, approval of advertisements, applications to the provincial and central governments, recruitment of labour, and securing land, electricity, and raw materials for joint ventures. Furthermore, *guanxi* smoothes the running of transactions, such as building up a company's image, effective transportation arrangements, and ease in collecting payments. Since these benefits are concerned with power directly granted by the people, *guanxi* may have serious ethical implications and raise important operative ethical issues (Su & Littlefield, 2001).

Guanxi and its practices have undergone significant changes, which have been connected with the development of the legal system and increasingly advanced economic reform (Guthrie, 1998). However, there are arguments that *guanxi* and other culturally rooted concepts will remain influential on Chinese economic actors. In the next section, this study discusses the emerging themes from cross-cultural studies regarding ethical and business values and beliefs.

3.3.3. Cross-cultural Business Ethics Studies and Convergence-Divergence-Crossvergence (CDC) Framework

There are debates within the existing literature surrounding whether ethical orientations are universal or varied between different societies. Most of the texts or literature in this area focus upon on either the similarities or differences in the business ethical attitudes across cultures. The universal ethics scholars seek support from studies comparing similar economic norms (Izraeli, 1988; Lyonski & Gaidis,

1991; Whipple & Swords, 1992). However, even between countries with similar economic backgrounds, such as European countries and America, significant differences in business ethics still persist (Becker & Fritzsche, 1987; Vogel, 1992). After comparing graduate students in Spain and the USA, Clarke and Aram (1997) highlight the difference in business ethical attitudes and argue that some business actions are culturally dependent.

Relativist ethicists and researchers try to find an answer for these differences from the evidence emerging from comparative studies of countries with distinctive cultural backgrounds (White & Rhodeback, 1992). While dealing with ethical issues in a cross-cultural context, business people manifest diverse behaviours, reflecting their distinctive business ethics and values, for example, in a Chinese context, *guanxi* is influential in the Chinese business network (Wright *et al.*, 2003) alongside gift giving (Chan *et al.*, 2002), bribery and corruption (Steidlmeier, 1999). Despite these significant differences, Chinese business values also exhibit some similarities with their Western counterparts. For example, being self-reliant is important; hard work is regarded as highly positive; material wealth defines social status; being direct, open and frank in working relations is generally more important in working relations; and change is a positive process (Peppas, 2004).

In investigating and explaining these similarities and differences, however, these comparative studies are characterised by different types of weaknesses and severity of limitations due to their questionable underlying preferences for specific normative social institutions. The Convergence-Divergence-Crossvergence (CDC) framework has been adopted and developed to serve the analytical purpose of identifying these preferences and attendant limitations.

The convergence proponents focus on the similarities in business ethics across cultures and in doing so highlight the importance of economic factors. It is believed that during the transition process of economy, despite the operative cultural differences, there is a significant change in relation to business ethics and values towards behaviour that embraces free-market capitalism, which is mainly the ideological value of Western capitalistic economies (Tan, 2002). Under this assumption, researchers even tried to predict the levels of business ethics and values

by economic norms (Bucar, *et al.*, 2003). Scholars of these schools, however, systematically ignore that business ethics and values are subject to extremely local influences. It is argued that no universally accepted set of ethical values exist for measurement as they are inherently embedded in different social contexts (Leung & Cooper, 1994). Business ethics are of great complexity and this is not only reflected in the variance of national cultures, but also in domestic culture. Redfern and Crawford (2004) find that significant differences in ethical ideology exist between the managers in the South of China for example, when compared with those in Northern China. The authors suggest that this may be attributable to the higher levels of exposure to Western lifestyle practices and ideology of the southern Chinese people, in contrast to the more dogmatic and bureaucratic history of the country's capital, Beijing.

Conversely, proponents of the divergence approach concentrate on the cross-cultural differences in this area and stress the role of culture. They argue that national culture, not economic ideology, drives business ethics and values and guides business behaviours (Karande *et al.*, 2000). The major limitations of these studies are that they tend to be descriptive and attribute findings singly to national culture. They fail to recognise that business ethics and values are dynamic and changeable in a process of constant interaction with other social actors. Furthermore, change of culture itself is an ongoing evolutionary process that involves changes in the priorities of values at both individual and societal levels (Egri & Ralston, 2004).

Rather than denying universality, pure comparative research studies contrast cultures as part of a search for similarities and differences (McDonald, 2000). The cross-vergence approach argues that there will be an integration of cultural and economic ideology influences that will result in a unique value system that borrows from both national culture and economic ideology (Ralston *et al.*, 1993). This approach pays specific attention to the creative role of economic actors in construction of the social reality. However, to date, the researcher did not find any further ethics studies empirically exploring the creative role of economic actors in the construction the ethical realities in different socio-cultural contexts.

The CDC framework is an extension of debates on the relationships between structure and agency. The convergence and divergence approaches echoes the propositions of the earlier thoughts of institutional theory: the constraining process that forces actor to present similar characteristics under the same set of environmental conditions. These two approaches emphasised the process by which the actor incorporates institutionalised environmental structures: market-oriented economic structure for the former approach and national cultural structure for the latter. A cross-vergence approach answers the call of latest development of neoinstitutionalism and structuration theory. This approach pays attention to the dynamic and complex relationships between structure and agency. It recognises that the institutional changes are ongoing processes, in which actors play an active role and acted to response to the environmental stimuli. This study thus proposes the introduction of a cognitive approach to further explore how economic actors interact with and react to the structure of their environment.

This study recognises that economic actors (entrepreneurs in this study) are embedded in their specific socio-culture. Fisher and Lovell (2006) indicate that the ethical and business values of countries and societies differ, which may in turn directly influence the understanding, interpretation and response to the ethical issues and dilemmas. The authors further point out (p. 419 -420):

- Different countries may have, as part of the high ethics established within their religion, philosophical traditions and literature, different ideals about the conduct of business and organisational life.
- Within a country or society there may be competing sets of values concerning business and management.
- Even if countries and societies share the same values they may vary in the degree to which they practice them.
- There may be differences within a country and society between the values embodied in its high traditions and those values adopted in everyday life.

With these points in mind, this study, in the next section conducts a comparative literature review regarding business ethics and entrepreneurship in China and Western countries.

3.3. Business Ethics and Entrepreneurship in China

This section will focus upon a discussion of ethical issues related to entrepreneurship by comparing China directly with other Western countries. This review of the existing literature and research in the area reveals that limited attention has thus far been given to these specific issues. This study thus explores the more general knowledge of ethics and business in order to build an original conceptual framework to link business ethics and entrepreneurship. This section reviews the literature regarding ethical issues emerging in the interactions between entrepreneurs of private businesses and their main stakeholders, namely employees, customers, suppliers and government. The review is explicitly based on different cultures, with a particular focus upon China.

3.3.1. Employment Relationships

There is limited academic material exploring the nature of employment relationships within small business in particular. Scase (2003) indicates that “our knowledge of industrial relations in small firms is highly limited for two major reasons. First, small businesses have received little attention in academic social research. Second, issues of employer-employee relations have been considered to be non problematic” (p. 470). It is only recently, that any explicit attention has been given to the specificity of employment relationship in the small business.

Ethical issues in small business employment relationships attract attention from a fraction of academic social researchers. Cooke (2005) identified a series of ethical issues in an empirical study of employment relationships in small business in China. These issues are related to the nature of employees’ legal rights: a culture of long working hours, low general levels of rest and holidays, low rates or no overtime pay, limited levels of pay and benefits, an absence of social insurance and the frequent lack of employment protection. The author accounts for the long working hours as a result

of entrepreneurs' attempts to save costs within the operation, as well as a means for employees to top up their low wage. The wage levels, it is suggested are largely determined by small business employers according to general market rates. Entrepreneurs also set up bonus or incentive schemes on top of the basic wage structure in order to motivate employees to increase their performance level, to elicit desirable behaviour from employees, and sometimes, even as a good will gesture. Despite these trends, it is noted that, the wages of the small business employees are markedly lower than the average wage of all workers in the same region. In addition to above issues, Cooke finds that few of the small business employees have a formal written employment contract with their employers, as specified by the Labour Law (1995). Instead formalisation of the employment relationship is typically restricted to a few basic terms and conditions verbally agreed at the recruitment stage. The author explains that the absence of social insurance and formal documentation is largely due to the fact that entrepreneurs tend to hide the true scale of their business in order to avoid higher business taxes and the costs of social insurance contributions associated with the employment of greater numbers of staff. Additionally, the lack of employment protection may be a result of the low level of awareness of employment legislation on the part of both the employees and their employers.

Current labour law has limited effects in offering protection to employees and endows them with limited rights *vis a vis* their employer. China's Labour Law was passed by the Standing Committee of the 8th National People's Congress on July 5, 1994 and came into effect on January 1, 1995. This labour legislation aims to protect employees' rights, adjust employment relationships and set up an employment relationship structure used to promote market economy in China. Apart from the issues of awareness of related parties, Zhu (1995) indicates the four reasons that make implementation and effective supervision of these legislative precepts a continuing issue of concern:

- traditional industrial relations system remain dominant;
- complicated employment relationships arise as a result of diverse management system of businesses;

- the supervision of employees' rights is intricate due to the various control mechanisms of local and central governments; and
- regional political and economic diversity and uncertainty has caused further difficulties in protecting employees' rights.

Furthermore, even if employers and employees were aware of the regulations, they reluctantly adhere to them, being acutely aware of the related costs (Farh *et al.*, 2006). As a result, current legal regulations provide limited protection for employees in small business. The ambiguity and uncertainty caused by less effective legal and rights awareness and enforcement provides space for entrepreneurs to creatively shape the environment in their organisations.

Researchers continue to explore the ethical account of the employment relationship between entrepreneurs and their employees by investigating leadership. Farh *et al.* (2006) suggest that the leadership within the Chinese private business sector is typically of a paternalistic nature, comprising authoritarianism, benevolence and morality. Indeed, further in this vein and linking this conception of the typical Chinese business culture with that of Chinese society and culture generally, Malik (1997, p. 89) observes that “it is important to note that the role of Confucian authoritarianism plays a vital part in Chinese society”. Citing Farh and Cheng (2000), Farh *et al.* explain the core conceptions of paternalistic leadership (PL) claiming that “authoritarianism refers to leader behaviours that assert absolute authority and control over subordinates and demand unquestioning obedience from them. Benevolent leadership refers to leader behaviours that demonstrate individualised, holistic concern for subordinates' personal and family well-being. Moral leadership depicts leader behaviours that demonstrate superior personal virtues or qualities that provide legitimacy as well as arousing subordinates' identification with and respect for a leader. PL is thus defined as a style that combines strict discipline and authority with fatherly benevolence and moral integrity in a personalistic atmosphere” (p. 232). This definition is in line with the one given by Westwood and Chan (1992): a ‘father like’ leadership style which combines strong and clear authority with concern, considerateness and elements of moral leadership. In addition, Farh *et al.* (2006) identify ethical issues specifically related to paternalistic leaderships by entrepreneurs:

- belittling subordinate contributions,
- tightening personal control,
- insisting on absolute obedience,
- imposing strict work standards,
- insisting on following working rules, and
- setting high performance standards.

Leadership therefore is exposed clearly as a social influence process and as a universal phenomenon, yet the conceptions, styles and practices are shown to vary widely in cross-cultural contexts (Farh & Cheng, 2000).

This section will further discuss the similarities and differences between China and other countries. Researchers find that there are a number of ethical issues within the employment relationship of small businesses related to their own cultural contexts. Indeed this is also true within the cultural context (Goss, 1991; Marlow, 2006). In the review of a report produced by the European Foundation for the Improvement of Living and Working Conditions (EFILWC, 2001), Marlow (2006, p. 403) highlights some findings regarding employment relationships of small business in European countries. This study suggests that its findings have significant ethical implications. The results suggest that,

- working conditions deteriorate as firm size decreases;
- wages and salaries are generally poorer in smaller enterprise;
- fringe benefits are less common and generally poorer;
- working hours are longer and more weekend work is involved;
- employment is more insecure and more likely to involve temporary or casual work; and
- training and development opportunities improve as firms grow.

The reasons for such outcomes are in large part due to the higher presence of family members, the blurred boundaries between labour and capital, and the informal multi-tasks approach to work within the Chinese culture. In addition, other reasons may be identified as the lack of professional HR management, higher numbers of jobs not

premised upon formal contractual relations, and greater job insecurity, leading in turn to workers accepting poorer employment conditions. Marlow (2006) further adds that the elements of volatile markets and uncertain competitive environments may also have tangible role in shaping these outcomes. Some of these reasons themselves comprise ethical concerns and are treated as ethical issues in and of themselves. Apart from the above issues, EFILWC (2001) added ethical issues of employment conflicts characterised by employees' individualised resistance, articulated through absenteeism, working without enthusiasm, sabotage and ultimately high turnover of staff.

In general, these ethical issues are related to the perceptions of entrepreneurs regarding the extent of their own power and how the employment relationships within their operation should be organised. Goss (1991) develops a four-fold typology to demonstrate how employers exert control over their employees as well as explicating the way in which employees resist such control:

- Fraternalism – employers tend to work along with employees and emphasise the shared sense of skill and effort. The employment relationship tends to be partnership-like and emerges in circumstances of interdependent and close working relationships;
- Paternalism – this employment relation exists where employers are of higher standing in power relations. Paternalism as a control strategy attempts to secure the employees' identification with the employers' aims by strong personal relations and mutual obligations frequently extend beyond work to life in general (EFILWC, 2001). The employees are dependant on the employers, while the employers are responsible for the well-being of the employees in a wide sense.
- Benevolent autocracy – employers exert their control over employees on the basis of the identification with and power of employer. The close relationships between the employers and employees are emphasised but only within the employment relationship and the workplace. In this employment relationship, the power inequality is accepted by the employers and

employees as a fact of life rather than the basis for struggle or negotiation (EFILWC, 2001).

- Sweating – This employment relationship is characterised by a power imbalance favouring employers, who can easily replace employees and focus on cost control.

To Rainnie (1989), small businesses are sweatshops of autocracy, exploitation, and oppression. Whereas, Welsh and Birch (1997) find that in general, small business decision makers in the USA for example consider themselves as less likely to exploit people to meet their personal or organisational goals. Curran (1991) argues that in the same business, different types of employment relationships may exist at the same time, while benevolent autocracy can be labelled as the most typical employment relationship amongst micro and small enterprises. Other researchers argue that instead of simply being either harmonious or autocratic, employment relationships in small businesses are complex, diverse, contradictory, and above all, informal (Ram, 1991, 1994; Gilman, *et al.*, 2002).

Ram *et al.* (2001) define informal employment relations “as a process of workforce engagement, collective and/or individual, based mainly on unwritten customs and the tacit understandings that arise out of the interaction of the parties at work. As such, informality is dynamic rather than a fixed characteristic, and is highly context specific” (p. 846). Informality, however, does not imply a particular view of the substance of work relations: it could be associated with an autocratic as well as a harmonious workplace (Wilkinson, 1999). The adoption of certain types of employment relationships is directly related to entrepreneurs’ leadership style.

There are, according to one famous typology, four types of leadership: autocratic, persuasive, consultative/participative and democratic (Tannenbaum and Schmidt, 1973). To Appell (1984), the leader should rouse and unite colleagues in working towards a common goal. Kirby’ (2006) further develops the typology in order to guide entrepreneurs in becoming a successful entrepreneurial leader.

Characteristics of entrepreneurial leader

Entrepreneurial leaders:

- develop their power by making the people around them more powerful;
- are truthful and sincere, thereby building trust and respect;
- provide direction, not the precise route;
- recognise that their colleagues may have some of the best idea, especially if they are doing the job every day;
- support their staff when they “fail” and celebrate their achievement when they succeed;
- learn from failure;
- facilitate change but protect fundamental values;
- broker people and harness the ideas that come from such encounters;
- build relationships through networking;
- expose their colleagues to reality but protect them from danger;
- lead by example and never ask their colleagues to do what they would not do to themselves; and
- educate and train their staff and create more leaders

Source: Adapted from Kirby (2006, p. 301-302)

Despite the generally accepted fact that the most effective leaders are open, candid and employee-centred, the style of leadership depends on situational factors (Kirby, 2006). These factors include the group environment, physical settings, size of the group, technical abilities and the structure of the communication system. In addition, leaders also have to maintain sufficient distance with fellow colleagues and avoid losing the capacity to exert authority. Thus the type or style of employment relationship and ethical issues in small businesses are related to complicated mental activities and logical reasoning of entrepreneurs as employers, who refer directly to the identified situational factors. The above reviewed literature is based on studying issues emerging in the employment relationships in Western countries. This raised a question, whether the findings of these studies are applicable in the context of China.

A series of similarities are identified in terms of owner characteristics and management style when comparing employment relationships in small businesses in China with those in the Western countries (Cooke 2005). Common ethical issues are found in relation to employees' average working hours, workload, wages, working conditions, and training in Western countries as discussed previously in this section. In addition, there are also similarities in high level of labour turnover and the individualised process of pay bargaining between employer and employee with employer's unilateral determination as key. Furthermore, Cooke (2005) found that in

small businesses in China there are also issues of procedural informality, (owner)-managerial prerogative, and a low level of awareness and adherence to employment regulations.

Ram (1994, p. 6) observed that workers in small firms in the UK “rarely questioned the employer’s right to manage and the primacy of profitability.” This is similar to firms studied in China. Chinese management is characterised by a strong power core exercised by the owner-manager (Cooke, 2005). Ram (1994) and Holliday (1995) use ethnicity and family to explain why harmony appears to be the norm in small firms, cultural value may be used to explain the avoidance of overt conflict in China. However, as mutual obligation plays an important role in the Chinese means of management this power hierarchy is thus derived perhaps more from the discipline of traditional Chinese values than directly from the owner-manager’s economic power (Cooke, 2005). As Lee (1996) observed, in the Chinese organisation, the boss–employee relationship is often described as parent–child relationship. Following the Confucian concept of filial piety, the Chinese are taught to respect age and seniority and defer to authority, age and rank.

However, Chinese values alone cannot fully explain the largely non-confrontational characteristic of employment relations in the small business sector. It has been argued that the economic growth of China was largely built on the government’s proactive policies in attracting foreign funds and their willingness to suppress labour rights (Mundial, 1993). In addition, workers are generally unrepresented by unions and tend to “have little bargaining power in an economic climate of rising unemployment and underemployment” (Levine, 1997, p. 12).

The availability of cheap labour and a willingness of employees to work long hours remain key to the survival and achievement of competitive advantage for many small business operations in both developed and developing economies. These factors also lead to unfair treatment issues within employment relations (Cooke, 2005). In China, owner-managers themselves may work long hours too and rely heavily on their family members to manage the long operating hours (Cooke, 2005). The relatively low skill requirement of the jobs enables most employers to offer low wages and operate in a

hire and fire mode, drawing largely from workers in the secondary tier of the labour market (Cooke, 2005).

3.3.2. Business Relationships

Drawing from previous literature and information from group interviews, Carter (2000) identifies a series of unethical activities in the business relationships between buyers and sellers,

Unethical activities identified through the literature review and group interviews

- Using obscure contract terms to gain advantage over other the party
- Writing specifications that favour a particular supplier
- Exaggerating the seriousness of a problem to gain concessions
- Allowing a supplier to rebid after the closing date
- Allowing only certain suppliers to bid
- Giving preference to suppliers preferred by top management
- Allowing the personalities of the supplier to impact decisions
- Concocting / making up a second source of supply to gain an advantage over suppliers
- Asking the other party for information about your competitors
- Purposefully misleading the other party
- Using bribery
- Overestimating demand to gain volume discount
- Soliciting quotations from suppliers who have little chance of success
- Using "backdoor" selling techniques such as approaching personnel in engineering, manufacturing, or other departments outside of purchasing
- Cancelling purchase orders in progress and trying to avoid cancellation charges
- Allowing a supplier to become dependent on the purchasing organization for most of its business
- Using small payments to facilitate international transactions
- Using less competitive prices or terms for buyers who purchase exclusively from the supplier
- Increasing prices when there is a shortage of supply of the purchased material or product
- Offering gifts in excess of nominal value
- Over committing resources or production schedules

Source: Adapted from Carter (2000, p. 194)

The above issues presented in the table are identified by Carter in order to research the relationships of US buyers and their existing non-US suppliers. This author finds that these issues are recognised as unethical by both US and non-US businesspeople. This raises a fundamental question, whether the standards distinguishing ethical or unethical are universal or different across cultures. This section discusses the current understanding of these issues and ethical standards: the heterogeneities and

homogeneities. Many of the above issues in a Chinese context are related to *guanxi*, which is discussed earlier from a cultural perspective. In the following part, we further explore *guanxi* practices and its ethical consequences.

Guanxi has been connected with unethical business practice (Wong & Chan, 1999). Characterised by favour, trust and interdependence, *guanxi* often involves insider-based decision-making and is perceived by many Chinese as the only efficient means to conduct business when business infrastructures are not yet fully functional (Wong & Chan, 1999). The art of *guanxi* “involves the exchange of gifts, favours and banquets; the cultivation of personal relationships and networks of mutual dependence; and the manufacturing of obligation and indebtedness” (Yang, 1994, p. 6). People from Western rule-orientated culture frequently connect *guanxi* with corruption, nevertheless Chinese regard the obsession with rules inappropriate and perceive it as signalling a lack of trust, which is important part of friendship and essential in business interactions (von Weltzien Hoivik, 2007).

Other researchers argue that *guanxi* has different types and only some of them are connected with the unethical business practices (e.g. Lovett, *et al.*, 1999; Su & Littlefield, 2001; Brand & Slater, 2003; Millington *et al.*, 2005). Su and Littlefield (2001) conceptually divided *guanxi* into two categories: culturally rooted favour-seeking *guanxi* and institutionally defined rent-seeking *guanxi*. The former emphasises social network and interpersonal exchange of resources (favours) in a collectivistic society. The latter focuses on power exchange in a hybrid Chinese socialist market economy. The phrase “rent-seeking” was introduced by Anne Krueger (1974) and now generally refers to the activities of extracting uncompensated value from other people without contributing to productivity. Su and Littlefield (2001) suggest that the rampant rent-seeking *guanxi* are the major source of ethical issues related to corruption and bribery. Thus the linking of *guanxi* with ethical abuse is a confusion of the different types of *guanxi* relationships. Researchers further argue that gift giving within *guanxi* is different to unethical business practices of illicit payment and corruptions (Lovett, *et al.*, 1999; Brand & Slater, 2003; Millington *et al.*, 2005). The former is focusing on building business relationships while involved with *guanxi*, the latter are mainly concerned with the pursuit of self-interests and individual gains.

Thus these researchers state that *guanxi* is not a synonym for bribery and not necessarily connected with ethical issues. Furthermore, Chinese businesspeople are well aware of the ethical boundaries between morally proper *guanxi* and unethical and illicit practices of bribery and corruption (He, 1994; Liu & Xiong, 1994; Steidlmeier, 1999).

Researchers also notice that there are significant changes in the conception and practices of *guanxi* in China. Disagreeing with the argument that *guanxi* is culturally rooted in the Confucian heritage (Yeung & Tung, 1996; Lovett *et al.*, 1999), Guthrie (1998) perceives *guanxi* as an institutionally defined system relying on the institutional structure of society. Dunfee and Warren (2001) thus connect the changes in the conception and practices of *guanxi* with the series of environmental transitions in China: increased privatisation of business firms, a movement towards more emphasis on the rule of law, and changes in forms of business operation and corporate governance. In addition, the relevant environmental changes include increasing competition among business firms, increased foreign investment, growing job mobility, the increase of information flows through the internet and telecommunications and an escalating worldwide campaign against unethical practices of corruption and bribery. To these authors, *guanxi* and its practice are subject to the influence of a series of external factors and ethical institutions of Chinese business are thus in a changing process: old culturally rooted institutions are challenged and new institutions come into being.

These environmental changes shake the ground of the traditional *guanxi* concepts and their practices. Chinese business networks display characteristics and behaviours similar to the networks transforming Western business environments (Hendrischke, 2007). In a study of the relationships of urban industrial managers, Guthrie (1998) argues that the significance of *guanxi* may be declining in China's economic transition, as views and perceptions of *guanxi* are changing in important ways. The author notices managers perceive differently the importance of connections and networks in markets and business. Some managers view social relations as a fundamental part of business relations in a market economic system, while others increasingly view *guanxi* practice as having diminishing importance, replaced by an

emphasis on price and quality. Guthrie finds that many managers of the first group not only view *guanxi* as an important aspect of market economies, but they further believe *guanxi* is a common business rule working in the rest of the world rather than something particular to China. Furthermore the author suggests that Chinese economic actors increasingly pay attention to formal rational bureaucracies at the business level, contract based agreements, as well as the laws, rules and regulations that are part of the emerging rational legal system. Thus the *guanxi* practices have been seen as unnecessary and dangerous by many investigated managers in light of new regulations and prohibitions against such approaches to official procedures. Guthrie thus argues *guanxi* and relevant associated practices are less significant than before.

There are other factors calling for the attention of business people in China and these factors may decrease the relative importance of the role of *guanxi* in business further. In a study by Yeung and Tung (1996), foreign business people emphasise that *guanxi* is a key factor, yet it alone will not guarantee the achievement of long-term business success in China. Other factors include, choosing the right business location and right entry strategy, competitive prices, complementary goals, familiarity with the Chinese negotiation style, flexibility in business operations, long-term commitment to the market, management control, product differentiation and quality, and understanding of policy. The evidence provided by the above literature shows changes in values, beliefs and hence business practices in Chinese buyer-seller relationships. Wank (2002) finds that Chinese entrepreneurs value efficiency considerations of quality, price and service in maintaining their relationships with customers and suppliers very highly. This finding seems in line with Chrisman and Archer's (1984) study targeting the Western small business population, which found that price and quality and customer relationships are highly valued by small businesspeople.

However, a number of researchers identify significant differences in buyer-seller relationships between China and Western countries (e.g. Kuhlmann, 1994; Brand & Slater, 2003; Millington *et al.*, 2005). The enthusiasm of researching *guanxi* and unethical business practices reflects the novelty of the conception and its practices and the lack of equivalents in Western business world (Brand & Slater, 2003; Millington

et al., 2005). Kuhlmann (1994) finds that Western buyer-seller conflicts are mainly related to the correctness of information, quality and safety, pricing, and terms of contract. The variance of business practices and ethical issues may have their roots in the underdeveloped legalistic culture in China. Wong and Chan (1999) state that the Western business people honour written contracts and respect legal orientations comprising laws, regulations and policies. When conflicts arise, they tend to appeal to the formal procedure and employ legal professionals to protect the enforcement of the contracts. Thus the contracts are finalised before any formal business cooperation. By contrast, for Chinese business people, *guanxi* “works like a lubricant to ‘oil the wheels of transactions’ under the present, poorly developed legal systems” (p. 110 - 111). The buyer-seller relationships are influenced by *guanxi* orientations and developed through informal procedures of dining and gift-giving. Formal contracts are subsequent to the building-up of mutual trust, which indeed devalues the contracts in founding the relationships in the first place.

Researchers continue to explore the variance of business and ethical values and beliefs and the associated impacts on their business practices (e.g. Mavondo & Rodrigo, 2001; Su & Littlefield 2001). Su and Littlefield (2001) explain that it is difficult for Western business people to enter *guanxi* as they conduct business on the basis of contractual conventions and commercial law instead of good faith and personal feelings. In addition, Western business rules emphasise that people take independent responsibilities and face consequences, while *guanxi* respects *mianzi* (face, individual prestige), friendship or *renqing* (human feeling), which may excuse people from their own personal fault. Furthermore, Western business systems and routines exclude power collusion and transactions. The above literatures recognise the significant differences existing in buyer-seller relationships. This raises a question related to whether the ethical perspectives of Western and Chinese business are fundamentally different or have some homogeneity. This issue demands more detailed academic attention. Bearing this question in mind, this study thus explores the heterogeneity of business behaviours and practices in the buyer-seller relationship between Chinese and Western business.

Chinese and Western business people are located in different social and cultural contexts, characterised with various values and norms. The various culturally rooted values and beliefs of relationships cause the differences of behaviours and business practices of economic actors. Drawing on previous literature, Mavondo and Rodrigo (2001) systematically compare Chinese and Western buyer-seller relationships.

Chinese and western buyer-seller relationships

	Chinese buyer-seller relationship	Western buyer-seller relationship
Levels of business relations.	<i>Guanxi</i> - interpersonal relationships are key part in Interorganisational relationships (Yau, 1988; Ambler, 1995)	Interpersonal relationships are important with yet unidentified role in interorganisational relationship.
Social bonds – “the degree of mutual personal friendship and liking shared by the buyer and seller” (Wilson 1995, p. 339).	<i>Guanxi</i> contains elements of social interaction, friendship and closeness that are all integral parts of social bonding (EAC Group, 1993). Friendship leads to business (Mummalaneni & Wilson, 1991; Ambler, 1995).	Social interaction has no association with business relationships (Iacobucci & Ostrom, 1996). Socialisation is unimportant and of no purpose in the development of long-term business relationships. Business leads to friendship (Mummalaneni & Wilson, 1991; Ambler, 1995).
Cooperation – “similar or complementary coordinated actions taken by firms in an interdependent relationship to achieve mutual or singular outcomes with expected reciprocation over time” (Anderson & Narus, 1990, p. 45).	Greater environmental uncertainty requires greater flexibility; flexibility and compromise is preferred by Chinese managers (MacInnis, 1993).	Western managers are often more inflexible and resort to more confrontational methods of resolving problems (MacInnis, 1993).
Trust – “Expectancy held by an individual or a group that the word, promise, verbal or written statement of another individual or group can be relied upon (Rotter 1967, p. 651).	Trust is regarded as a norm in interpersonal relations, and has been identified as one of the key foundations of relationships (Osland, 1990; Wu, 1994). Trust in Asian cultures often negated the need for formalised contracts (Thorelli, 1990).	Development of trust was a time-consuming activity that many Western managers were unwilling to invest in (Thorelli, 1990). Interpersonal trust is particularly important in business transactions as a complement to legal obligations (MacNeil, 1980; Anderson & Weitz, 1990).
Face (<i>mianzi</i>) – individual’s social status or prestige recognized by others, and acquired through successfully performing specific social roles (Hu, 1944).	The values of face and corresponding reputation act as “hostages” to ensure that promises are kept (Williamson, 1983; Osland, 1990; Wu, 1994).	No similar construct; Face-giving and any emotional display is considered a sign of weakness (Hofstede, 1983; Rodriguez & Wilson, 1995).

Time orientation - relationships may be unprofitable initially, but will be profitable in the long run (Gronroos, 1994).	Continuity means that once <i>guanxi</i> established, both parties would attempt to keep the relationship alive through the reciprocation of favours and benefits (Wu, 1996). Past-time means that it is difficult to break an established relationship or re-establish a broken relationship with the Chinese (Yau, 1988).	Long-term orientation or continuity as an outcome of a relationship (Anderson & Weitz, 1990; Ganesan, 1994).
Reciprocity – “a mutually contingent exchange of benefits between two or more units” (Goulder, 1960, p. 164).	<i>Guanxi</i> -based reciprocal behaviour is similar to Western culture where an exchange only takes place if mutual benefit is involved. There is less hesitancy in being the first and greater beneficiary (Osland, 1990). The norm of reciprocity creates an Obligation on the part of the beneficiary towards the benefactor, thus acting as a “hostage” in sustaining a network relationship (Wu, 1996).	Reciprocity involves identical or equal exchange of benefits and a relationship where unequal exchange exists is characterized as “exploitation” (Goulder, 1960).

Source: Adapted from Mavondo and Rodrigo (2001, p. 112 - 115)

These dimensions of the relationships show various norms and values in different cultural contexts, which influence the shaping of heterogeneities of Chinese and Western business people’s values, beliefs and hence their business practices.

Meanwhile, as mentioned earlier in this section, Chinese business people are located in a changing environment, which has caused the discontinuity or changes of some deeply rooted values and beliefs and their relevant practices, particularly in terms of *guanxi*. This shows that the buyer-seller relationships increasingly display complex, diversified and conflicting norms and values. Chinese business people are in a process of construction and reconstruction of the ethical boundaries of business practices: what is right and what is wrong. This is not unique in the perspectives of business relationships in China. Evidence can also be seen in the changing government-business relationships.

3.3.3. Government-Business Relationships

Although the economic reform in China provides the bedrock for the prosperity, entrepreneurship and growth of small businesses, these features are located in a far-from encouraging institutional environment. In such an environment, Chinese private businesses have to overcome a series of institutional pressures for their survival and development (Yang, 2007), as they

- are perceived as less legitimate by local authorities than state-controlled ones;
- there is a lack of protection by enforceable legal procedures;
- are sensitive to the effect of containing economic overheating, strained energy supply, or harsher financial conditions;
- encounter institutional hurdles to obtain a legal status;
- have limited financial support from major financial organisations;
- have difficulties to enter industries of national importance; and
- have to put up with higher rates and other administrative expenses.

These unfavourable institutional fissures pressurise Chinese entrepreneurs into making an alliance with resourceful agents – government officials, who possess power and the control of information, resources, and capabilities to smooth transactions. Additionally, officials can help Chinese business people to avoid government investigations and lengthy approval process (Dunfee & Warren, 2001). Furthermore, the traditional role of Chinese government is derived from Confucian roots of family and relationships and is treated analogously as the head of household (Hong, 2001). Confucian values have emphasised harmony and order, achieved only through hierarchy and obedience (Fan, 2007). These traditional values remain influential on personal behaviour including rule by man rather than by law, obedience and loyalty to superiors, and deference to authority (Fan, 2000). Xin and Pearce (1996) find that in China, compared to other businesspeople, private business executives are more likely to value and trust *guanxi*, rely on connections for protection, emphasise government connections, and give unreciprocated gifts. The authors explain that *guanxi* is used as a substitute of formal institutional support in a circumstance of underdeveloped legal system.

Government-business relationships are the most disputed topics in Chinese business ethics literature. Part of the reason for this is that the efforts of maintaining such relationships involve ethically disputed activities of gift giving, banquets, bribery and corruption. The relationship typically features power exchange which provides sources of corruption and bribery and raises ethical concerns of business practices (Su & Littlefield, 2001). Some researchers argue that unethical practices are based upon personal gains rather than favour or reciprocity, which constitute *guanxi* concepts and practices. Others continue to emphasise that such practices are natural corollaries of the fact that “Chinese interpersonal relationships [are] based on the Confucian concept of reciprocity” (Chen, 2004, p. 47). Within Chinese culture itself, there are, indeed, moral parameters to distinguish morally proper gift giving from bribery and corruption (Steidlmeier, 1999).

Researchers argue that these issues derive from the transition of the role of Chinese government in economic life (e.g. Wank, 1999; Garten 1998). “The intertwining of Communist legacies and new market activities created a distinct configuration of state power in China’s emerging market economy that constrains commercial trade networks” (Wank, 1999, p. 29). The role change of government from owner to regulator evolves government-business relationships from resource dependence to regulatory protection or interference (Zhou, *et al.*, 2006). Nevertheless officials still possess control in terms of public resources, public assets as well as authorities on bank loans, foreign trade, fines, licences, fees and taxes (Wank, 1995a). Garten (1998) argues that rather than laws and institutions, Chinese society will be characterised by people and relationships in the next few decades; meanwhile the officials shall remain influential, yet the government structure will be less important to business. The growth of entrepreneurs mainly depends on the entrepreneur-bureaucracy links and entrepreneurs’ adoption of officialdom (Bruun, 1993, 1995). Wank (1995a, 1999) alternatively suggests that the entrepreneur-bureaucracy relationships are interdependent and symbiotic patron-client ties.

However, the proposition of power official agencies and close entrepreneurs-bureaucracy ties are not in line with findings from one of Wank’s own studies (1995b). Private entrepreneurs with different size of businesses differ in their response to the

bureaucratic powers. Entrepreneurs from smaller business perceive bureaucracy as obstacles and cash payoffs for taxes, fines and licences demanded by officials as arbitrary and greedy. They thus tend to isolate themselves from bureaucratic contacts in order to avoid bureaucratic interference. Nevertheless entrepreneurs with larger businesses seek opportunities and benefit from their close relationships with bureaucracy. They are thus enthusiastic to maintain and develop their relationships with officials.

Some researchers support the proposition of declining *guanxi* in official sphere and as a result of the construction of rational-legal system (Guthrie, 1998). This proposition is in line with that of Nee (1989, 1996) – the socio-economic order will increasingly bear on the Characteristics of Western countries without much Chinese characteristics. Thus, governmental influence and power must be limited and dispersed. Friedman (1962) indicates that “the scope of government must be limited. Its major function must be to protect our freedom both from the enemies outside our gates and from our fellow-citizens: other functions are to preserve law and order, to enforce private contracts, and to foster competitive markets” (p. 8). In addition, “government power must be dispersed. If government is to exercise power, better in the county than in the state, better in the state than in Washington” (p. 8). Friedman provides two main reasons for the limitation and decentralisation of governmental power. One is protective reason – the preservation of freedom. The other one is constructive reason – the great advances of civilisation by encouraging achievements “of individual genius, of strongly held minority views, of a social climate permitting variety and diversity” (p. 9). Under such circumstances, entrepreneurs are able to enjoy the considerable freedom of running their businesses, exerting their potentials, and fulfilling their ambitions. As part of social-economic changes initialised by economic reforms and increasingly established rational-legal system, researchers argue that government-business relationships are not as significant to business people as before (e.g. Guthrie, 1998). The growth of markets decreases the officials’ control over opportunity and privileges and gradually decreases vertical ties of entrepreneur-bureaucracy relationships (Nee, 1989, 1996).

Historical, local and cultural factors still play a role in the transforming government-business relationships. Hendrische (2007) further argues that “Public-private networks are a product of China’s transition strategy and by most accounts have only a transitory role and limited life expectancy. While it is quite likely that these local networks will disappear once legal property rights and legal procedures are ubiquitously implemented, this process might take a long time and create path dependencies which will give these networks a more lasting influence that is predicted” (p. 217). Hendrische’s proposition of the lasting influence of public-private relationships is not baseless. Guthrie (1998) finds that “small, individual actors, who are not often monitored closely by state offices, may ignore official institutional changes and continue relying on their own networks and systems for accomplishing tasks in the official sphere” (p. 272). In addition, the attitudes of entrepreneurs regarding anti-corruption measures of government differs (Wank, 1995a). Entrepreneurs with smaller size of businesses suggest corruption is an inevitable problem of business, which will not be changed much by these measures. Nevertheless, entrepreneurs with larger size of businesses insist that the government should control bureaucratic corruption while issues related to business should remain inside the jurisdiction of entrepreneurs. This shows a conflict in values among entrepreneurs regarding legal institutions and their relationships with government and officials. Guthrie (1998) explains that it takes a great amount of time to change social patterns and ways of thinking at the individual level as well as establishing the legalistic culture. The author insists that these factors will not change the trend that *guanxi* and its practices are with decreasing significance and economic actors increasingly comply with legal and official procedures.

Nee (1989, 1996), Hendrische (2007), and Guthrie (1998) suggests that historical, local, or even cultural rooted factors may be of temporary and contingent influence on and even complicate the transition progress, yet Chinese’s government-business relationship evolves towards a rule-of-law mode of Western capitalist societies. Dicey (1959, p. 187) underlines three principles establishing the rule-of-law: (1) the absolute supremacy or predominance of regular law as opposed to the influence of arbitrary power; (2) equality before the law or the equal subjection of all classes to the ordinary law of the land administered by the ordinary courts; and (3) the law of the constitution

is a consequence of the rights of individuals as defined and enforced by the courts. Under the rule-of-law, governmental power should be decentralised; officials should serve the public good and be held accountable for their actions; officials should be aware of, and willingly accept the legal limits on their power; and legitimacy comes from obeying the law (Clark, 1999). Thus the Westerns' government and officials should follow the law in conducting their relationships with businesses.

Whereas in China, the government is the source of the law and the law is used as instrument to serve rather than limit the power of government (Hao, 1999). Liang (1989) indicates that Chinese traditionally "rule-by-man" ideology is still of influence on modern Chinese. Under such ideology, the law and rulers relationship are presented as "man→law→man" and the status of officials is located above the law. The law is perceived as synonym for punishment and methods of government control. This partly gives an account why Chinese feel reluctant to appeal to the law to resolve their disputes with the government or officials. To a Chinese person's mind, officials are divine figures with a mandate to rule and the businesses' status or reputation derives from official recognition (Fan, 2007). Thus, at least up to now law in China can not function in the same way as in Western countries in regulating bureaucracy-business relationships.

While Chinese entrepreneur-bureaucracy relationships are entangled with the ethical issues regarding governmental and official power, Western governments are regarded as having a supporting role to small businesses and entrepreneurship. Bridge *et al.* (2003) point out that compared with large businesses, small businesses are constantly in the disadvantaged position due to the market imperfections: bias against self-employment, inadequate innovation supply, lack of capital, labour, and premises, bureaucracy and compliance cost, and purchasing marketing. Governments have the power to work through law and regulation to structure how business and individual goals are achieved and thus create a fair competitive environment for businesses, consumers, and society (McAlister *et al.*, 2005). Western governments set up series of public programmes to address problems, assist small business and enhance entrepreneurs (Storey, 2003). Storey (2003) suggests that the governments should give particular attention to barriers to information exchange and informational

imperfections. The government intervention should focus on raising the awareness of entrepreneurial opportunities; encouraging using outside sources to obtain information; and assisting the access to financial institutions. Though many public programmes set up in Western countries, the small business support is not always appreciated by owner-managers.

The public support of small businesses may encounter a low take-up from owner-managers of small businesses. Curran (2000) explains this with three reasons: owner-managers complain that the support providers do not understand their needs; the content of the support does not suit their needs; and the standard approach of government departments ignores the heterogeneity of small businesses or the special characteristics of localities. Bridge *et al.* (2003) further add the reasons that owner-managers fear that their ideas are exposed and stolen, or they fear that their efforts are despised by the consulted experts; they feel off-putting of traditional consulting approach; and they are discouraged by the price of advice or lack of information regarding availability and cost of services. The low take-up of small business raises the distrust of owner-managers with regard to the efforts of western governments in promoting entrepreneurship and their abilities to maintain a fair and competitive environment.

As shown above, culture and economic ideology have significant influence on the ethical and business values of Chinese business people.

3.4. Conclusion

This chapter reveals that there are significant difference in perception of ethical issues in China and Western Countries. Relativist researchers propound that national culture plays a determinative role of ethical and business values, beliefs and hence behaviours and thus maintain the proposition of cross-cultural divergence. Meanwhile, the proponents of a convergence approach argue that economic transition boosts the increasing emergence of similar characteristics in business ethics despite the contingent and temporary historical and local influences. This study adopts the claims of cross-vergence that both economic and culture factors are influencing the ethical

values and norms of a country. However, this study tends to treat these two factors as components of institutional environment of individual economic actors – entrepreneurs in this study. The focus is thus given to how entrepreneurs perceive these factors and use them for their own sense-making of ethical issues in the social interactions.

This study further explores business ethical literatures emerging in Chinese business people's relationships with key stakeholders, namely employees, customers, suppliers and government. The relevant ethical literature regarding Western businesses is cross-referenced in order to gain further insights. A literature review shows that academic efforts remain limited in addressing ethical issues involving entrepreneurs and their main stakeholders. This study intends to identify and explain relevant ethical issues by combining analysis of individual, organisational and environmental levels by focusing on the account given individual entrepreneurs. To do so, the researcher refers to more general theories of social science, particularly social constructionism and sense-making approaches to form the methodology and to direct the use of research methods. In the next chapter, methodology and research methods are discussed.

Chapter 4 Research Methods and Methodology

In previous chapters, the literature review has shown that there is limited academic interest in connecting business ethics and entrepreneurship. This study aims to fill this research gap as well as contributing to reconceptualising cross-cultural studies regarding managerial business ethics and values. Therefore, this study attempts to increase knowledge of entrepreneurs' perceptions of, and responses to, business ethical issues in China and the UK by investigating the processes of sense making in relation to the business ethics issues of entrepreneurship. To achieve the aim, this study is required to adopt an appropriate research methodology and methods.

4.1. Research Methodology

This subsection explains and justifies the use of research methodologies within this study.

4.1.1. A Social Constructionist Approach

Social construction refers to “a tradition of scholarship that traces the origin of knowledge, meaning or understanding of human relations” (Gergen & Gergen, 2007, p. 461). Much attention has drawn to this phrase large by the landmark work by Berger and Luckmann, *The Social Construction of Reality: A Treatise in the Sociology of Knowledge* (1967). For Berger and Luckmann,

“Every individual is born into an objective social structure within which he encounters the significant others who are in charge of his socialisation. These significant others are imposed on him. Their definitions of his situation are posited for him as objective reality. He is thus born into not only an objective social structure but also an objective social world. The significant others who mediate this world to him modify it in the course of mediating it. They select aspects of it in accordance with their own location in the social structure, and also by virtue of their individual, biographically rooted idiosyncrasies” (p. 151).

Thus reality is constructed by human being through social processes, and language is used to assign meanings to the world and learnings from other human beings.

There is no single definition, which could possibly reflect all the characteristics of social constructionism writings. However, the common thread of social constructionism writings is “a concern with processes by which human abilities, experiences, commonsense, and scientific knowledge are both produced in, and reproduce human communities” (Gergen & Shotter, 1992, p. ii). So, while among social constructionists, significant differences exist, some common characteristics also distinguish social constructionism from other approaches (Burr, 2003). These assumptions are summarised below and inform this study.

- A critical stance towards taken-for-granted knowledge - The world is perceived to exist and known by human experience through the media of language. “The terms by which we understand our world and our self are neither required nor demanded by ‘what there is’ ... for any state of affairs a potentially unlimited number of descriptions and explanations is possible” (Gergen, 1999, p. 47). Thus to an entrepreneur, right or wrong is one of these descriptions and explanations and thus subjective.
- Historical and cultural specificity – The way we understand, describe and explain the world, the categories and concepts in language used to classify things are historically and culturally specific and situational. Thus the ethical stances of entrepreneurs differed in terms of time (e.g. past, present and future) and place (in the UK and China).
- Knowledge is sustained by social process – “our modes of description, explanation and/or representation are derived from relationship ... language and all other forms of representation gain their meaning from the ways in which they are used within relationships” (Gergen, 1999, p. 48). Thus the ethical stances of entrepreneurs at a given time are formed during their social interaction with other social actors, employees, suppliers, customers and government/officials. Through conversation, communication and ideas exchange, the entrepreneurs share meanings and are involved in creating

plausible stories. During this process, the number of descriptions and explanations is reduced.

- Knowledge and social action go together – the “negotiated understandings could take a wide variety of different forms, and we can therefore talk of numerous possible social constructions of the world. But each different constructions also brings with it, or invite, a different kind of action from human beings ... Descriptions or constructions of the world therefore sustain some patters of social actions and exclude others” (Burr, 2003, p. 5). Ethical knowledge is produce during entrepreneurs’ social interactions. During this process, the ethical stances of entrepreneurs are influenced by different cultural institutions and acted differently in different cultural contexts (in the UK and China). In the same cultural context (either in the UK or China), entrepreneurs interpret certain value and norm and act differently.

This study introduces a social constructionist approach to research business ethics in relation to entrepreneurship. Previous literature encourages the more broad use of an interpretive ontology and epistemology in business ethic research (Randall & Gibson, 1990; Brigley, 1995; Crane, 1999). In line with this, this study disagrees with the assumption that social reality is ‘out there’ and that researchers’ main duties are collecting and analysing information from respondents. The researcher holds the view that business ethics, as knowledge or truth, is created rather than discovered by the human mind and that shared meaning becomes organised through recursive human actions. In addition, the social constructionist approach enables the researcher to link factors of individual, organisation and environment. It also directs the attention of this study to the proactive role of researchers in constructing the knowledge or truth, emerging in the interactions between researchers and respondents.

A social constructionist approach directs the attention of this study to the relationships of respondents. Studies employing a social constructionist approach should reflect the assumption that “the terms by which the world is understood are social artifacts, products of historically situated interchanges among people” (Gergen, 1985, p. 267). This study thus provides an ethical account of entrepreneurship by examining entrepreneurs’ verbal expression of their relationships with major stakeholders

namely, employees, customers, suppliers and government. The focus is on entrepreneurs' accounts of social reality, constructed through their ongoing sense-making and continuous enactment activates during entrepreneurs' social interactions with these stakeholders. The source of entrepreneurs' knowledge, experience, values and beliefs demonstrated in the discourse of social realities reflects and shapes more general structural and environmental features. The social constructionist approach thus support the study in breaking through the limitation of previous research by exploring the dynamic process between entrepreneurs and their environments and investigating endogenous and exogenous characteristics.

A number of institutional studies adopt multilevel analysis (Redding, 1990; Hodder, 1994). Rather than predetermining which level of factors is more important than the others, the researcher identifies the importance of factors from analysis of the dialogues of individual entrepreneurs. Multiple factors can emerge from reconstructing of the social constructions of entrepreneurs. The study examines how and why these factors in respondents' words help to shape plausible stories in responding to ethical issues in different cultural contexts. Entrepreneurs are located in the centre of the analysis because they are the sense-makers, who through interacting with others, extract cues from environments as well as reproduce the environments by their enactments.

A social constructionist approach suggests that the role of researchers is important in construction of knowledge. In particular, the role of the researcher is treated as that of a co-author actively involving in reconstructing social realities rather than being restricted to discovering knowledge and truth. In addition, the cultural background and past experience of researchers influence the research process and the results of research. Alvesson and Skoldberg (2000) define the research process as “a (re)construction of the social reality in which researchers both interact with the agents researched and, actively interpreting, continually create images for themselves and for others: images which selectively highlight certain claims as to how conditions and process – experiences, situations, relations – and can be understood, thus suppressing alternative interpretations”(p. 6). The influence of researchers is more salient when researchers come from different cultural backgrounds (Adler, 1983; Agar, 1987).

Alvesson and Skoldberg (2000) indicate that since data and facts are the unequivocal imprints of 'reality' and the constructions or results of interpretation, interpretation-free or theory-neutral facts do not exist. They go on to argue that: "...despite the wealth of different theories that exist in most fields in the social sciences, empirical results are generally found to 'agree' – at least in part – with the researcher's own premises, and that most researchers seem disinclined to change their point of view simply because a researcher with another theoretical base has presented empirical 'data' which contradict their own point of view." (p. 2)

A social constructionist approach highlights the key role of the researcher in the research process. They are not merely 'reporters of facts' but rather they are like 'craft workers' who create identifiable works (Watson, 1994). This means that researchers are involved in the "active processes of interpretation and representation of reality." (Cazal & Inns, 1998 p. 178). The involvement of researchers can be seen in every stage of the research, from getting access to subjects, to data collection and presenting arguments (Usunier, 1998).

The implications to research sense-making of individuals will be further explored in the next section.

4.1.2. Sense-making Methodology

This study adopts sense-making as its theoretical base. Dervin (1992) refers to sense-making as "a theoretic net, a set of assumptions and propositions, and a set of methods which have been developed to study the making of sense that people do in their everyday experiences" (p. 61). Weick (1995) argued that sense-making is about "such things as placement of items into frameworks, comprehending, redressing surprise, constructing meaning, interacting in pursuit of mutual understanding, and patterning. Emphasising different functions of sense-making approach, Dervin and Weick's theories are not conflict with each other. Muhren *et al.* (2008) explain that Dervin's approach is methodologically related and could serve as a means of realising research objectives, while Weick's is of use in directing the purposes of study. Weick's theory demonstrates more explicitly how individuals continuously interact with situations, process information and construct meanings. Weick highlights the

importance of social interaction, plausible story creation, identity construction and the use of language in this process. This study forms its methodological bases on Weick's theory, which is more centralised and demonstrate potential for business ethics research.

Barnett and Karson (1987) argue that ethical choice is believed to be situationally specific and based upon specifics of the action choice rather than pre-existing values. Contextual variables and situational specifics are of great importance for ethical decision-making. Thus an interpretative approach and qualitative methodology reflect precisely the reality of situation, psychology of social actors and their complicated interaction process (Randall & Gibson, 1990). Klein and Myers (1999) argue that in an ambiguous context, it is of more use to investigate the complexity of human sense making as the situation emerges, rather than to define dependent and independent variables. In light of this as well as those discussed in Section 2.4., a cognitive approach and sense-making methodology could contribute to business ethics research.

The research process of this study is also a process, in which the researcher makes sense of respondents' sense-making and explores how respondents continuously make sense of their experiences. Sense-making deals with discontinuity in constantly changing situations, "interruptions" termed by Weick (1995) and "gappiness" by Dervin (1999). The researcher identified the knowledge gap, business ethics in relation to entrepreneurship, which is in line with the description of Savolainen (2006) as dissonance, ill-structured problems, ambiguity and equivocality. To address the surprise, the researcher has conversations with the respondents, collects and analyses information, presenting finding, constructing meanings and creating knowledge. The researcher engages in the central activities of sense-making regarded as information seeking, processing, creating, and using (Thomas *et al.*, 1993). Dervin (1999, p. 736-737) explains that "there is a kind of quadruple hermeneutic operating in sense-making's enterprise. Any methodology involves interpretations (hermeneutic #1). In the case of studies of human beings, the focus is the interpretations of interpretations made by researched human beings (hermeneutic #2). But sense-making is self-consciously focused not on interpretations *per se*, but on interpretings, those of researchers-interpreting interpretations (hermeneutic #3) of human-beings-

interpreting interpretations (hermeneutic #4).” This study argues that sense-making and enactment theories, supported by a social constructionist view, provide a useful framework for conceptualising the methodological issues of the research. Individuals are seen as members of their social group who make sense and enact their environment to create reality (Weick, 1995).

Taking the above concerns forward, the research process could be seen as the researcher making sense of discourse of respondents and constructing knowledge as a result of interactions with respondents. Therefore this study involves multi-perspectives of sense-making. The first perspective is that the respondents make sense of past experiences. This happens before the fieldwork and recurs till the end of the interviews. The second perspective is that the researcher makes sense of the discourses of the respondents. A third perspective is that readers read and make sense of the text of this study.

Sense-making methodology can incorporate the contribution of social constructionist approach as they both increasingly emphasise language, shared meaning and interactions. Sense-making highlights the centrality of language in human existence, as Weick (1995) indicates that “sense is generated by words that are combined into the sentences of conversation to convey something about our ongoing experience” (p. 106). White (1990) suggests that “each of us loads any expression with significances that derive from our prior experience of language and of life, an experience that is obviously different for each of us” (p. 35). Walker (2006) argues that sense-making helps respondents to talk from within their own phenomenological worlds. Furthermore, sense-making gives attention to shared meaning. Weick (1995) argues that the words matter to self, and matter to some larger collectivity. Sense-making thus offers insights on how individuals pull from vocabularies and how the individuals dealing with a particular and unique set of circumstances. Finally, sense-making emphasise the importance of social interactions. “Those who forget that sensemaking is a social process miss a constant substrate that shapes interpretations and interpreting” (Weick, 1995, p. 39). Sense-making methodology thus asks researchers to explore the sense-making of respondents by referring to its social settings (Louis, 1980). That is that knowledge of business ethics in relation to

entrepreneurship is constructed during entrepreneurs interacted with others. In particular, data are produced in a social interaction of the researchers with the participants.

Detailing his sense-making framework, Weick (1995, p. 18 – 61) puts forward seven properties. These properties are explained here according to their practical usefulness in addressing the aims and objectives of this study.

- Sense-making is grounded in identity construction. The sense-making process is about answering the question “who I am” indicated by unearthing “how and what I think”. This study answers the question of “who the entrepreneurs are” through the analysis of their verbal description of how and what the entrepreneurs think regarding the particular situations where ethical issues are addressed.
- Sense-making is retrospective. People revisit history and make sense of their experience. “[T]he creation of meaning is an attentional process, but it is attention to that which has already occurred” (Weick, 1995, p. 25 – 26). The study pays attention to the entrepreneurs’ creation of meaning, based on their making sense of their past experience in the ethical issues. To achieve the aims and objectives, the researcher invited the entrepreneurs to revisit their past ethical events and to verbally describe the process, in which the entrepreneurs make sense of what they experienced.
- Sense-making enacts sensible environments. People produce or create the environment where they are located. “They act and in doing so create the materials that become the constraints and opportunities they face” (Weick, 1995, p. 31). The researcher attended to the entrepreneurs’ creative role in constructing the reality – i.e., how the entrepreneurs made sense of the ethical issues and as a result formed the guidelines or domains for their future actions.
- Sense-making is social. Sense-making is intersubjective. People make sense of things while they socially interact with others, who influence the sense-maker’s thoughts, feelings and behaviours. This study recognises that entrepreneurs are in constant interaction with others through conversations, communications and exchanging ideas with others. Thus the researcher

examined how the entrepreneurs reported their formation of their ethical stances in their social interaction with the employees, suppliers, customers and government. The researcher also investigated how narrative, discourse and conversation are used as the primary tool in sense-making and how the entrepreneurs interacted with their social network to share meanings.

- Sense-making is ongoing. Sense-making never begins, never stops and is ongoing. “[S]ense is made of a situation, which is then in a constant reaffirmation, maintenance and modification” (Mills, 2003, p. 61). This study thus views the business ethics in entrepreneurship as an ongoing process, in which entrepreneurs shape and reshape their ethical stances during dynamic social interactions. Thus one main task of the researcher is presenting how entrepreneurs, particularly Chinese entrepreneurs, creatively address ethical issues in a changing environment.
- Sense-making is based on extracted cues. Weick (1995) defines extracted cues as “simple, familiar structures that are seeds from which people develop a large sense of what maybe occurring” (p. 50). Parry (2003) agrees by pointing out that “[p]eople make sense by extrapolating from familiar points of reference, or simple seeds which trigger a larger sense of what may be happening” (p. 244). This study gives attention to what these cues are, why they are extracted by the entrepreneurs and how entrepreneurs use them to create the meaning and construct their ethical reality.
- Sense-making is based on plausibility rather than accuracy. “Sensemaking is about plausibility, pragmatics, coherence, reasonableness, creation, invention and instrumentality” (Weick 1995, p. 57). This study reports entrepreneurs’ expression of their subjective domain and explores the “plausible stories” they create in explaining what might be happening.

Among these seven properties, Weick (1995) gives particular attention to the property of identity and plausibility. He cites Ring and Van de Ven (1989, p. 180) to describe the importance of identity construction:

“Sense-making processes derive from ... the need within individuals to have a sense of identity – that is, a general orientation to situations that maintain esteem and

consistency of one's self-conceptions. Sense-making processes have a strong influence on the manner by which individuals within organisations begin processes of transacting with others. If confirmation of one's own enacted 'self' is not realised, however, sense-making processes recur and a re-enactment and representment of self follows..."

In Weick's (1995) view, sense-making processes serve the self-derived needs of maintaining a consistent, positive, competent, and efficacious self-conception. The failure to do so initiates new processes of controlled, intentional sense-making. Weick also argues that the sense-making is a process that "people learn about their identities by projecting them into an environment and observing the consequence" (p. 23). In this study, through retrieving entrepreneurs' past experience related to ethical issues, the researcher investigates how entrepreneurs learn about their identities and maintain their self images in addressing right and wrong.

The other property highlighted by Weick is the use of plausibility. The OED (Oxford English Dictionary) online² gives a number of explanations for plausibility. Among them, the third explanation is close to Weick's conception. That is: "3. a. The quality in an argument, statement, etc., of seeming reasonable or probable; appearance of reasonableness; believability, credibility; (formerly) *spec.* speciousness". Weick (1995) points the thing necessary in sense-making is not accuracy but

"something that preserves plausibility and coherence, something that is reasonable and memorable, something that embodies past experience and expectations, something that resonates with other people, something that can be constructed retrospectively but also can be used prospectively, something that captures both feeling and thought, something that allows for embellishment to fit current oddities, something that is fun to construct. In short, what is necessary in sense-making is a good story". (p. 61)

² The web address of Oxford English Dictionary online is www.oed.com.

In light of this, this study should give attention to the plausibility of entrepreneurs' language. This is that for entrepreneurs, when they address ethical issues, what matters, why does it matter, and why others do not matter.

The seven properties of sense-making have been described as a grand attempt to render the way people deal with interruptions more tangible (Murhen *et al.*, 2008). This study adopts these seven properties as the theoretical base and offers a framework of how entrepreneurs make sense of ethical issues emerging in their social actions with main stakeholders.

Sense-making methodology is consistent with social constructionist tenets and it goes hand in hand with discourse analysis, which pays attention to the use of language in social interactions.

4.1.3. Discourse Analysis

As noted above, language is important in the sense-making of people. Weick (1995) indicates that "sense is generated by words that are combined into the sentences of conversation to convey something about our ongoing experience" (p. 106). To Weick, the importance of language is demonstrated from both the individuality and collectivity of meaning. He argues that people's expression is characterised by significances derived from their distinguished prior experience of language and life. In addition people conduct their sense-making by pulling words from different vocabularies of larger structure. "The language of sense-making captures the realities of agency, flow, equivocality, transience, reaccomplishment, unfolding, and emergence, realities that are often obscured by the language of variables, nouns, quantities, and structures" (Weick, 2005, p. 410). Furthermore, language regarding entrepreneurship influences the thoughts and actions towards research on entrepreneurship (Gartner, 1993). This study thus argues the importance of language and discourse in understanding sense-making of entrepreneurs in relation to ethical issues.

A social constructionist approach emphasises that the purpose of researching language should focus on the inter-subjectively shared, social constructions of meaning and

knowledge rather than reading individual minds or understanding cognitive progresses. Gergen and Gergen (1991) explain that “Accounts of the world...take place within shared systems of intelligibility – usually a spoken in written language. These accounts are not viewed as the external expression of the speakers’ internal processes such as (cognition, intention), but as an expression of relationships among persons” (p. 78). The recent development of qualitative research methodology reflects this increasing attention to language for seeking the meaning. Marshall (1994) states “the interview is no longer seen as a means of measuring the genuine views of a participant but as a means of exploring the varied ways of making sense, or accounting practices, available to participants. The concern is at the level of language or discursive practices, rather than with the individual interviewee” (p. 95). Language is important in researching the sense-making of social actors and exploring processes of social constructions of meaning and knowledge. Discourse analysis (DA) provides an analytical tool to research language and thus accomplish above research purposes.

Drawing from Parker (1992), Phillips and Hardy (2002) define discourse “... as an interrelated set of texts, and the practices of their production, dissemination, and reception, that brings an object into being” (p. 3). Texts here are defined as a variety of forms, in which discourses are embodied and enacted, including written texts, spoken word, pictures, symbols, artifacts and so forth (Grant *et al.*, 1998). Discourse analysis is a general term for approaches focusing on the use of spoken, written or signed language. Stubbs (1983, p. 1) provides a well cited definition for DA. He stated:

“The term discourse analysis is very ambiguous. I will use it in this book to refer mainly to the linguistic analysis of naturally occurring connected speech or written discourse. Roughly speaking, it refers to attempts to study the organisation of language above the sentence or above the clause, and therefore to study larger linguistic units, such as conversational exchanges or written texts. It follows that discourse analysis is also concerned with language use in social contexts, and in particular with interaction or dialogue between speakers.

There are two points worth noting in this definition. Firstly, DA is concerned with language use and meaning construction. DA goes beyond the analysis of single sentence or utterance. It gives attention to contexts, the interrelationships of texts, and the process, by which people utilise their discourse to construct social reality. This is in consistency with a sense-making approach that also emphasise the creation and conveyance of meaning. Secondly, DA is concerned with the interactive and dialogic properties of human relationships. This is in consistence with social constructionism. Both approaches argue that knowledge or meaning is constructed as a result of human interactions, in which and language and shared meaning is of critical importance. Drawing upon the analysis of entrepreneurs' language, this study advances knowledge of business ethics in relation to entrepreneurship by investigating how entrepreneurs make sense of their ethical situations and response to ethical issues during the interactions with main stakeholders. Thus, DA is employed along with sense-making and social constructionist approaches.

DA as methodology has distinctive epistemology and ontology. Potter (1997) indicates that DA is both anti-realistic and constructionist. That is, there is no external reality awaiting a definitive description by the researcher. In addition, DA pays particular attention to how the version of reality is fashioned by members of social settings being investigated from many alternatives. Phillips and Hardy (2002) further indicate that the commitment to a strong social constructionist view distinguishes DA from traditional qualitative approaches. They argue that traditional qualitative approaches focus on understanding the meaning of the social world for participants. DA explores how the socially produced ideas and objects that populate the world are created in the first place and how they are maintained and held in place overtime.

In addition, traditional qualitative approaches focus on understanding or interpreting social reality as it exists. DA examines how language constructs phenomena rather than how it reflects and reveals it. Discourse is thus treated as constitutive of the social world rather than a route to it and the world can not be known separately from discourse. Phillips and Hardy further argue that DA investigates the relationship between text, discourse and context. They cite Fairclough and Wodak (1997) to strengthen their points: "Discourse is not produced without context and cannot be

understand without take context into consideration ... Discourses are always connected with other discourses which were produced earlier, as well as those which are produced synchronically and subsequently” (p. 277). Such notions of DA are consistent with the institutional theory. Institutions are social constructions and constituted through discourse. In the term of Fairclough (1995, p. 38), “a social institution is an apparatus of verbal interaction or an ‘order of discourse’ ”. Following this vein, Phillips *et al.* (2005) argue that “discourse constructs its own conventions, making sense of reality through the way it rules in or rules out certain ways of thinking and acting” (p. 638). In other words, social actors use discourse to produce and reproduce institutions – i.e. the process of institutionalisation.

DA provides a means for researchers to study sense-making by exploring multi factors regarding discourses and texts. Fairclough (1995) explains: “the method of discourse analysis includes linguistic description of the language text, interpretation of the relationship between the (productive and interpretative) discursive processes and the text, and explanation of the relationship between the discursive processes and the social processes (p. 97). In sum, discourse analysis connects individuals, language and their social context by exploring “who uses language, how, why and when” (Van Dijk, 1997, p. 2). Language provides the practical means for people to make sense of issues and enact a sensible world. Through analysing the language that individual entrepreneur use (discourses and texts) in constructing meanings and making sense their world, this thesis aims to explore the shared meanings, assumptions and plausible stories, given the language used and the reasons behind it.

4.1.4. A Cross-cultural Study and the Capture of Ethnographic Features

A social constructionist approach and sense-making methodology encourages the use of ethnographic elements in this study. Ethnography is a social scientific approach that emphasises encountering alien worlds and make sense of them (Agar, 1987). The notion of culture is a core concept in ethnography research. Goodenough (1971) defines culture as a set of beliefs and standards, shared by a group of people, which helps the individuals to decide what is, what can be, how to feel, what to do and how

to go about doing it. This study aims to increase knowledge of entrepreneurs' perceptions of, and responses to, business ethical issues in UK and China by investigating the processes of sense-making in relation to the business ethics issues of entrepreneurship. It is critical to understand how entrepreneurs construct which story is more plausible; which version of reality the entrepreneurs tend to construct and reconstruct; which beliefs and standards are more valued. Culture has significant influences on this process. The researcher thus has to enter the field to study and make sense of various cultures in terms of environmental level, organisational level and individual level. Therefore, ethnography and its assumptions are of help to the researcher in constructing knowledge of and making sense of culture in direct interactions with targeted social settings.

Many ethnographic researchers employ participant observation to serve their research interests. Hammersley and Atkinson (1995) argue that all social research takes the form of participant observation in a sense that it involves participating in the social world, and reflecting on the products of that participation. Ethnography as a research method is interchangeably used with participation observation, as both mean "spending long periods of time watching people, coupled with talking to them about what they are doing, thinking and saying, designed to see how they understand their world (Delamont, 2004). Some researchers take participant observation as a key characteristic of ethnographic research (Arnould & Wallendorf, 1994).

As a research method, ethnography relies on first-hand observations by immersing the researcher in an unfamiliar culture over an extended period of time (Agar, 1987; Atkinson & Hammersley, 1994). The observations target at everyday events, settings, interactions, conversations and uses of objects over time and across specific cases (Jorgensen, 1989). The role of the ethnographic researcher is to engage in the daily life of another culture and closely observe, record, and describe it in detail (Marcus & Fischer, 1986). Schultze (2000) points out that doing so can enable researchers to be led by the social setting over time as their own frames of reference are suspended and this facilitates the acquisition of new and unexpected insights. Additionally, Goffman (1959) believes that participant observers are granted insiders' status over time and thus in a position to understand how the native makes sense of events. Furthermore,

long term immersion in a particular cultural or organisational context increases the likelihood of spontaneously encountering important moments in the ordinary events of informants' daily lives and of experiencing revelatory incidents (Fernandez, 1986).

Issues arising within ethnography would include: how far the ethnographers are willing to suspend their own frames and reference and accept the "alien ones"; whether ethnographers can become an 'insider' after spending a period of time in the field and how close they can access to their respondents; how much the ethnographers changes the social settings by interacting with respondents and around social network. In light of this, this study did not employ participant observation as part of the research design. Thus it is not an ethnographic research. In the sense of methodology, this study however, employs some critical features of ethnographic research put forward by Atkinson and Hammersley (1994). These features are:

- a strong emphasis on exploring the nature of particular socio-cultural phenomena
- working primarily with unstructured data
- investigation of a small number of cases in detail
- analysis of data that involves interpretation of the meaning and functions of human actions, the product of which mainly takes the form of verbal descriptions and explanations

This study also shares the assumptions of an ethnographic methodology. Ethnography assumes that the principal research interest is primarily affected by and embedded in community's cultural understandings. Schwartzman (1993) thus encourages ethnographers to enter the field and learn a culture inside out by investigating the taken for granted ideas and practices, which influence the way lives are lived, and constructed in an organisational context. Spradley (1980) emphasises that ethnographic research must deal with three fundamental aspects of human experience: what people do, what people know, and the things people make and use. He further points out that each of these aspects are learned and shared by members of some group and then termed as cultural behaviour, cultural knowledge, and cultural artifacts.

Ethnography as an approach enables common cultural understandings to be identified and interpreted.

Ethnography also requires an active role for ethnographers in studying cultures and tends to be anti-realism. As a result of increasing challenges to the objectivity of ethnographic research and rejections of both quantitative method and scientific model, Atkinson and Hammersley (1994) go on to explain that the accounts produced by researchers are constructions, and reflect the presuppositions and socio-historical circumstances of their production. Cazal and Inns (1998) also argue that meanings are actively constructed by participants through interaction and negotiation. This new development within ethnographic research echoes the adoption of a social constructionist approach, here, one which propounds that reality is socially constructed and human beings are social products (Berger & Luckmann, 1967). This study thus proposes that cultural behaviours, cultural knowledge and cultural artifacts constitute the context of respondents and provides materials for respondents and the researcher to draw on and make sense of. Knowledge or truth is the result of individuals' sense-making process and enactment during the dynamic social interactions between the researcher and respondents and social settings. Furthermore, the researcher is also part of a society and a social product, therefore to assume that a researcher can put aside his/her own cultural background and learn about another culture from the native's point of view is inconsistent with the epistemological and ontological assumptions of social constructionism.

The researcher here has extended life experience in both the UK (6 years) and China (26 years). As a result of study, work and life experiences, the researcher has accumulated knowledge which provides an understanding of the two cultures. The researcher has lived in the social contexts and shares aspects of the meanings of social reality with respondents, especially with regard to china. They also enable a unique form of questioning the taken-for-granted of the British entrepreneurs, given the "newness" of the cultural contexts.

In cultural studies, an ethnographic approach allows identification of the taken-for-granted assumptions of the locals. In this case, the researcher's embedded cultural

background empowered me with greater sensitivity to the institutional differences between cultures. For example, it is easy for the researcher to find that British respondents rely on the contracts and legal institutions to build and maintain business relationships; while Chinese respondents prefer personal relationships for this purpose. However, it was with particular caution that the researcher identified the similarities of taken-for-granted assumptions of respondents from both countries. Alvesson and Skoldberg (2000) emphasise that “it is difficult, if not by definition impossible, for the researchers to clarify the taken-for-granted assumptions and blind spots in their own social culture, research community and language” (p. 2). Such drawback results in further less sensitive of the ethnographer to notice the similarities presented in comparing taken for granted assumptions of cultures. This drawback is shared by many ethnographic researches because no two cultures are identical, nor are two cultures totally different (Hofstede, 1980).

This study argues that the employment of ethnographic features has the potential to advance understanding the entrepreneurs’ sense-making in different socio-cultural contexts. While not inherent, cross-cultural ethnographic research still has a risk of researcher bias as the researcher are closely involved with respondents and research settings. As a result, this study practices reflexivity in the research design to reduce such risk.

4.1.5. Reflexivity

As mentioned in Section 5.1. and 5.2., both the social constructionist approach and sense-making methodology pay attention to the role of the researcher in producing knowledge. They emphasise that knowledge, or truth, or social reality is the product of human minds and emerges from social interactions. The researcher thus has an influence on, and sometimes misleads the research process. Lincoln and Guba (1985) identify three broad heading issues as threats to the validity of research, including reactivity, respondent biases and research biases. These issues are common in research involving people, particularly when there is a close relationship between the researcher and the setting or respondents. Rowan (1981) cited Esterson (1972) to explain the necessity to introduce the notion of reflexivity. “Since persons are always in relation, one cannot study persons without studying the relations they make with

others... And the method used to observe must be one that allows us to study the personal form of relating... And so, the observer must be aware of his own pattern of response if he is to evaluate the behaviour and experience of the person he is studying... the observer, with the co-operation of the other, constitutes himself as part of the field of study, while studying the field he and the other constitute” (p. 167).

This study admits that its research process are characterised by the important role of the researcher. In Section 5.1. and 5.2., the researcher emphasises that from his standpoint, the research process is making sense of sense-making of and interpreting of interpretations of respondents, all of which are grounded on the self identity of the researcher. The reference frame of the researchers is of significance in the construction of the study as knowledge, or truth, or social reality, which is formed in the dynamic interactions between the researcher and setting and respondent. Thus this study is with the imprints from the researchers’ beliefs, values, experience, and knowledge. In addition, the researcher recognises that the social relations that he is embedded in also play a key role in continuously construct and reconstruct his self-identity and reference frame. This is of practical meaning to understand the research process. The construction and reconstruction of self-identity and reference frame in turn shape and reshape the focus, interest of research, interpretation and analysis of data of the research works. The sense-making connect the researchers past experience with the research process, which helps to reshape the researchers’ self-identity and reference frame reciprocally. Researchers, respondents and settings are interrelated, interwoven and continuously reshaping each other. This study thus argues that the researcher is not separated from the research but is actively making sense and is required for constant self examination and criticism.

Being reflexive demands high levels of self-awareness, self-understanding and self-questioning in the research process. Alvesson and Skoldberg (2000) characterise reflexive research with careful interpretation and reflection as necessitates. They claim that all references to empirical data are the results of interpretation. They thus call for the utmost awareness of major determinants of interpretation consisting of theoretical assumption, the importance of language and pre-understanding. As to the second element, Alvesson and Skoldberg define reflection as interpretation of

interpretation. They suggest that researchers consistently consider various dimensions including the person of the researcher, the relevant research community, society as a whole, intellectual and cultural traditions, and the central importance, as well as problematic nature, of language and narrative in the research context. Ahern (1999) adds that using reflexivity helps researchers identify areas of potential researcher bias. For Patton (2002), reflexive research should “be attentive to and conscious of the cultural, political, social, linguistic, and ideological origins of one’s own perspective and voice as well as the perspective and voices of those one interviews and those to whom one reports” (p. 65).

Overall, the reflexive approach recognises the central importance, as well as problematic nature, of language and narrative in the research context. As noted earlier too, the employment of a social constructionist approach and sense-making methodology also gives attention to the language and text. Hence, the analytical tool of discourse analysis is utilised.

In this section, the researcher has outlined the methodology employed – sense-making methodologies and a social constructionist approach as well as discourse analysis, ethnographic style and reflexivity. The next section explores how the researcher under the direction of above methodology contributes to the knowledge by using different research methods and techniques.

4.2. Research Methods

The primary research method was unstructured interviews. The fieldwork began from January to November, 2006: 4 months in China and 5 months in the UK. Interviews were conducted with 36 entrepreneur respondents: 21 in China and 15 in the UK. As a result, the fieldwork produced a large quantity of data. This section discusses issues related to research methods and techniques employed in this study.

4.2.1. Sampling and Accessing

The selection of fieldwork sites was based on the research aims and objectives. This study aims to increase knowledge of entrepreneurs’ perceptions of, and responses to,

business ethical issues in cross-cultural contexts by investigating the processes of sense-making in relation to the business ethics issues of entrepreneurship. Nottingham in the UK and Shenyang in China were selected as the cross-cultural study bases and fieldwork sites. Both settings had many differences in economic, political, cultural and social perspectives. In particular, the economic reforms currently underway in China were influencing Chinese socio-economic order and the institutional environment (Nee, 1989, 1996). This influence was believed to offer increasing similarities with the business ethics and the values of businesspeople in the UK. As noted earlier in Chapter 1, this study aims,

- To identify the business ethical issues and challenges related to new small business creation in different socio-cultural contexts, namely the UK and China.
- To examine in detail the ways entrepreneurs understand, interpret, and respond to these issues.
- To map the institutional features and factors involved in the role of being an entrepreneur.
- To contribute to the knowledge on the business ethics in relation to entrepreneurship in different socio-cultural systems.

A comparative study based on the data from the two cities yielded insightful findings and contributes to knowledge.

The selection of fieldwork site was also based on ethnographic concerns. The incorporation of ethnographic elements requires the researcher to immerse into the studied culture and thus developed a native point of view. As mentioned briefly in Section 5.1.3., the researcher has long-term life, work and study experience in China and the UK and hence has acquired cultural knowledge delivering advantages in conducting this comparative study. The researcher was born and brought up in Shenyang, China. The researcher has the first degree in economic law and then worked as general manager assistant and legal consultant in a corporation for 6 years. After that, the researcher studied for this PhD in business ethics and entrepreneurship in Nottingham, the UK. During the process, the researcher interacted with the locals

in Nottingham, particularly business scholars and practitioners. The part-time working experience in UK business during the vacation time also induced an understanding of British business settings. This provided a basis for a cross-cultural comparative work since understanding of cultural behaviours, cultural knowledge and cultural artifacts in both national contexts was acquired.

The target subjects of this study are entrepreneurs, those who started a new small business for no more than 10 years and with less than 20 employees. There were substantial difficulties in acquiring access to respondents in entrepreneurship to study their business ethics. To do so, a combination of convenience sampling and snowball sampling was employed. This combination is commonly used in ethnographic research. "Much of the time, ethnographers are forced to gather information from whatever sources available to them. Very often they face opposition or at least indifference to their research and are relieved to glean information or views from whoever is prepared to divulge such details" (Bryman, 2004). This seems extremely true in this study. At the beginning of fieldwork, the researcher attempted to directly contact entrepreneur respondents, who the researcher did not know before, three in the UK and five in China. All these interview requests were declined immediately because of the "stranger" status of the researcher. The respondents showed strong reluctance to be involved with academic inquiries, particularly from unfamiliar researchers and regarding sensitive topics like business ethics.

The combination of convenience sampling and snowball sampling assisted the researcher in accessing the respondents. In a convenience sampling, the researcher generally selected respondents by virtue of their accessibility. Here, the proximity, ease-of-access and willingness to participate increased sampling pool. In addition, the researcher employed snowball sampling (also known as chain sampling or nominated sampling) in order to gain access to a larger research population. In a snowball sampling, researchers establish contacts with new respondents by referrals or nominations from early respondents in the sample. The researcher thus used his social network to set up initial contacts with respondents.

By using these sampling techniques, this study successfully accomplished access to 36 respondents in the UK and China. In the UK, the researcher accessed 15 entrepreneur respondents: 7 respondents were recommended by personal contacts and 8 respondents nominated by earlier respondents of this study. In China, the researcher accessed to 21 entrepreneurs respondents: 10 respondents are recommended by personal contacts and 11 respondents are nominated by earlier respondents of this study.

The sample size is seemed sufficient to generate “findings” for theory development. The form of generalisation is “analytical generalisation”, in which a previously developed theory is used as a template with which to compare the empirical results (Yin, 2003). The sample size achieves theoretical saturation, since the emergent consistency of conception among informants led to no significant new conceptual attributes being discovered (Glaser & Strauss, 1967). The general rule when building theory is to gather data until each category is saturated (Glaser, 1978, p. 124-126; Glaser & Strauss, 1967, p. 61-62, 11-112). This means until:

- (a) No new or relevant data seem to emerge regarding a category,
- (b) The category is well developed in terms of its properties and dimensions demonstrating variation, and
- (c) The relationships among categories are well established and validated.

Theoretical saturation is of great importance. Unless a researcher gathers data until all categories are saturated, the theory will be unevenly developed and lacking density and precision. Patton (2002, p. 245) indicates that “the validity, meaningfulness, and insights generated from qualitative inquire have more to do with the information richness of the cases selected and the observational/analytical capabilities of the researcher than with sample size”. A sense-making approach focuses on how the respondents construct their views of the world and hence emphasise the validity, meaningfulness, and information-richness of the data. In this study, through analysing entrepreneurs’ discourse regarding their experiences in response to a particular ethical situation, the researcher probed the way in which entrepreneurs has constructed the ethical events and the relative significance of these events to them. The data collected

has fulfilled the requirements of a sense-making approach in terms of information richness. The researcher used unstructured interviews to collect information-rich data from the respondents.

4.2.2. Unstructured Interview

This study uses open-ended unstructured interviews as the primary research method. The term of unstructured interview is used interchangeably in the literature with the informal conversation interview, ethnographic interview, open-ended in-depth interview, and non-standardised interview. They all refer to informal conversation like interview approaches, guided by general rather than specific topics. Unstructured interview is of advantage to offer “maximum flexibility to pursue information in whatever direction appears to be appropriate, depending on what emerges from observing a particular setting or from talking with one or more individuals in that setting” (Patton, 2002). Imposing any priori categorisation might limit the field of inquiry and the understanding of the complex behaviour of people (Punch, 1998). In an unstructured interview, neither the question nor the answer categories are predetermined; information is elicited through social interactions between the researcher and informant (Minichiello, 1990).

The fieldwork experience of the researcher supported the idea that the first few minutes of conversation had significant impacts on the outcome of the interview, particularly where the researcher had not met the respondents before (Saunders *et al.*, 2003). The researcher identified himself as a research student, asking for a conversation or “chat” with the respondents in order to acquire the information to finish a PhD research. The low-profile stances of the researcher added credibility of the researcher and increased the confidence of the respondents. Then, the researcher emphasised that the interview was an informal conversation or chat like dialogue. The researcher assured the respondents that the data would not be revealed to third parties. The use of these data was only for the researcher’s studies. In addition, before the formal interview, the researcher had a quick chat either on respondents’ business, or topics mutually interested. As a result, the researcher found that the chat was of use in building proximity, trust and rapport. Most of the respondents expressed that they were willing to help and would be cooperative in the interview.

The researcher initialised the interview by asking general open-ended questions: “tell me about what you think of your relationships with employees, or customers and suppliers, or government”. If the respondents said that the topic was too general to answer or they did not know where to begin, the researcher changed the questions to “do you have any difficulties in dealing with the relationships with employees, or customers and suppliers or government?”

In the interviewing process, the researcher mainly played the role of an active listener. The conversation was taken over and led by respondents, while the researcher usually listened and reflected more than talked. The researcher’s role in the conversation was presented as a learner, a friend, and a member of the interviewee’s group who has sympathetic interest and was willing to understand the interviewee’s life (Burgess, 1991). The researcher followed Seidman’s interviewing guidelines (1991): listened more than talked, tried not to interrupt, checked non-verbal interaction, allowed time for reflection, and used open-ended rather than leading questions. In addition, following the Seidman’s suggestions, the researcher asked for elaboration, asked respondents to explain laughers, hesitations, and emotions, and probed further when appropriate.

The researcher adjusted the flow of conversations to meet the researcher’s research interests. The main task of the researcher, therefore, was to explore how respondents talked about their experiences and explained their sense-making in ethical issues. The researcher’s task in an unstructured interview is to use various probes to build a conversation-like dialogue (Arnould & Wallendorf, 1994). In order to elicit meanings and to explore shared meanings among group members, open-ended probes are used to increase the likelihood that the researcher discovers how informants construct their world (Fetterman, 1998). These probes consisted of detail-oriented probes and elaboration probes (Patton, 2002). The former probes are mainly who, where, what, when, and how questions. Elaboration probes comprise gently nodding head as well as verbally “uh-huh” in English and “en” in Chinese to encourage more comment from respondents. The researcher also uses direct verbal forms of elaboration: “would you elaborate on that” and “can you give more details about that.” The researcher

relied entirely on the spontaneous generation of questions in the interactions with the respondents. Categories and themes emerged after analysing the conversations between the researcher and respondents. Besides substantial and meaningful data produced in the fieldwork process, there were some reflections regarding the interviewing process.

The “formal” feelings of the respondents to the interviews held back them from revealing their true thoughts and thus affected the validity of the study. The first two respondents appeared to be uncomfortable and spoke more cautiously. The respondents’ perception of the interview may be affected by the researchers’ appearance (Sanders *et al.*, 2003) or carrying a pen and paper (Cicourel, 1982). They tend to interpret the interviews as formal inquiry processes and their talk may yield negative effects against them. Some respondents explained their concerns that their story would become scandals; they would be treated as the bad characters by media, or their talk would be used as legal evidence in the court. Affected by these concerns, the two respondents were even more reluctant to talk when they knew the interview topics related to business ethics. To release the tension of this “formal” feeling, in the followed interviews, the researcher dressed tidily and less formally. The researcher also assured the respondents that the interviews were mainly informal conversations and the information was only used to finish the PhD thesis.

The place and time of interviewing is important. The researcher made sure as far as possible that the interview took place in a setting that was quiet (Bryman, 2004). This is particularly important from the researcher’s fieldwork experience. There was one interview taking place in a public place and the noise and frequent interruptions distracted both the researcher and the respondent from focusing on their conversations. The interview had lasted for only 30 minutes. The researcher in the latter interviews endeavoured to avoid interviewing in the similar settings. The researcher asked the respondents to understand the importance of naturally occurring and non-interrupted conversations. Most of respondents arranged to have the interviews either in their offices or meeting rooms. There were three advantages: locating in somewhere familiar, the respondents tended to be more comfortable and relaxed in talking. In addition, the settings of their working place facilitated the

respondents to retrieve events and stories with research significance. Furthermore, the researcher could be more familiar with the settings in which the respondents worked, lived and made sense to issues. As to the time of interview, reflecting on the fieldwork, the researcher found that morning was the best time to do the interview. Most of the respondents carried out their daily business routines in the afternoon. The interviews in the morning were also less prone to interruptions. The respondents tended to be more attentive and responsive in the morning. In contrast, the respondents after work appeared to be very tired and felt reluctant to talk. Therefore, the time and place of interview draws attention of the researcher.

The interviewing processes took from 30 minutes to 2 hours with an average of 1:10 hour per interview. The researcher used digital audio recorder to record the data produced in the interviewing processes.

4.2.3. Audio-recording, Note Taking and Data Collecting

Audio-recording devices have been widely used in qualitative interviews. Drawing from previous literatures and fieldwork experience, Saunders *et al.* (2003, p. 264) lists the advantages and disadvantages of tape-recording interviews, as shown in the table below.

Advantages and disadvantages of tape-recording the interview
<p>Advantages</p> <ul style="list-style-type: none">▪ Allows interviewer to concentrate on questioning and listening▪ Allows questions formulated at an interview to be accurately recorded for use in later interviews where appropriate▪ Can re-listen to the interview▪ Accurate and unbiased record provided▪ Allows direct quotes to be used▪ Permanent record for others to use <p>Disadvantages</p> <ul style="list-style-type: none">▪ May adversely affect the relationship between interviewee and interviewer (possibility of ‘focusing on’ the recorder)▪ May inhibit some interviewee responses and reduce reliability▪ Possibility of a technical problem▪ Disruption to discussion when changing tapes▪ Time required to transcribe the tape

Source: Author's experience; Easterby-smith et al. (2002); Ghauri and Grønhaug (2002); Healey and Rawlingson (1994)

This study used digital audio recorder (DAR) in the interviews. The researcher informed the respondents and asked permission to record the interview. The researcher explained that audio recording was just for the convenience to collect and review the data; the researcher was thus able to concentrate on the conversation; and the information was for the researchers' academic purposes and would not be revealed to the third party. All the respondents expressed that they understood and accepted the use of DAR in the interview process.

The fieldwork experience of the researcher showed that besides the above advantages, the use of the DAR avoided some disadvantages of using tape recorders. 20 gigabits storage memory of the DAR allowed the researcher to record a large quantity of audio data up to 300 hours talk. The researcher thus did not experience any disruption to discussion caused by the memory limitation of recording device. The quality of the DAR was reliable and did not have any technical problem. The external microphone of the DAR provided excellent audio quality. In addition, the researcher checked the DAR one day before the interview to make sure battery fully charged and the digital audio recorder in good condition. The long battery life of the device enabled 7 hours recording without recharging. The DAR provided great assistance in controlling bias and producing reliable data for analysis.

The researcher was aware of the disadvantages of using DAR in the interview and took measures to reduce its negative impacts on the study. During the process of the first interview, the researcher noticed that the respondent was distracted by the DAR. The distraction interrupted the spontaneous flow of conversation and caused difficulties for the respondent to continue or advance the previous talking. Furthermore, the hesitation of the respondent in talking about some sensitive topics seems support Belson's (1967) assertion – in a highly personal or semi-confessional type of interview, audio recorder may inhibit respondents from giving information or taking part. The researcher attempted to reduce these negative impacts of using DAR by purposefully making the audio-recorder invisible to respondents. Different from secret recording, invisible recording was with the awareness and permission of the

respondents. The researcher just simply put the DAR somewhere out of the visual field of the respondents. As a result, the respondents seemed to forget the recording device completely in a short time and then be more attentive to the conversations. The negative impacts from the DRA to the interview were minimised. With the assistance of the DAR, the researcher was thus enabled to be more focused on the conversations and notes taking.

Patton (2002) argues that taking strategic and focused notes rather than verbatim notes serves four purposes:

- Formulating new questions as the interview moves along, particularly where appropriate to re-examine things said early
- Checking notes before transcripts are done to ensure the inquiry unfolded in the hoped-for direction and stimulate early insights contributing to subsequent interviews – the emergent nature of qualitative inquiry.
- Taking notes about what is said will facilitate later analysis, including locating important quotations from the tape itself.
- Notes are a backup in the event the recorder has malfunctioned or data is erased accidentally.

The researcher also noticed some disadvantages of taking notes. Taking notes distracted the researchers from the natural flow of the conversations. As a result, the researcher might lose some significant details of the respondents' speech or the opportunities to chase up on some important topics. In addition, the researcher had to write down the important information quickly. The research usually found that the structure of notes was disorganised; the meaning of words was blur and disconnected; and the handwriting was often difficult to read afterwards. Furthermore, taking notes increased the respondents' sense of formal and inhibited them from straightforward talking of their values, beliefs and experiences. Consequently, the researcher limited the activities of taking notes and focused more on the conversations.

4.2.4. Language Issues

Given the cross-cultural interest, the researcher's attention was served to particular areas, one of which was language. One major issue for this cross-cultural comparative study was language barriers, which arises at various stages, including literature review, data collection, data analysis, and thesis presentation. Mangen (2007, p. 21) indicates:

“Each language is not only a medium for intercourse but a particular style of discourse. Thus the linguistic dimension interacts with cultural, as well as associated intellectual and professional specificities to form the problematic of comparative analysis. The ultimate challenge is to make sense of cognitive, connotational and functional meanings. The fact that most comparative research is also multidisciplinary only serves to complicate the task”

This study was involved with the use of two languages: Chinese and English. Indeed, the researcher had to

- Review the literatures written in both English and Chinese,
- Interview Chinese respondents in Chinese Mandarin and British respondents in English,
- Transcribe and analyse the data collected from interviewing Chinese respondents in Chinese and British respondents in English, and
- Write up and present the thesis in English

While the researcher is a native Chinese speaker, studying English for years, he is also a fairly competent speaker of English, enabling the translation between English and Chinese.

In the research process mentioned above, the first two stages were comparatively easy as the researcher's language skill had been developed to a sufficient level. In the third stage, the transcription and analysis of the data was initially conducted in the native language of the respondents. The researcher thus saved much time and effort from verbatim translation. In addition, this enabled understanding and interpretation of the words and expressions of the respondents by referring to the original context of

dialogue. This was important as it aided the researcher to make sense of cognitive, connotational and functional meanings of words and expressions by visualising the full text in the original language. In the fourth stage of the research process, the researcher then had to translate and present the findings in a second language – English. This was difficult as “no two languages are ever sufficiently similar as to be considered as representing the same social reality” (Sapir, 1929, p. 214).

The researcher paid particular and careful attentions to potential issues regarding translations. Holden (2002) points out three constraints as researchers attempt to render a text from a source language into a target language: Ambiguity, interference, and lack of equivalence. Ambiguity takes place where words or expressions are capable of being understood in more than one way. Interference occurs where words and expressions in the source language mean something different in the target language. Lack of equivalence refers to the situation, where the translator can not find the precise equivalents of formal specialised terms, which are key elements of a sentence or an entire text.

To minimise the negative impacts of above issues, the researcher referred to various translation techniques nominated by Usunier (1998, p. 52), which are cited in the table below.

Advantages and drawbacks of translation techniques

	Direct translation	Technique Back-translation	Parallel translation	Mixed techniques
Process	S → T	S → T; T → S' comparison S to S' →Final version T(f)	S → T; S → T' comparison T to T' → Final version T(f)	S → T; S → T' T → S'; T' → S'' Comparison S' and S'', decentring of S →Final version T(f)
Advantages	Easy to implement	Ensures the discovery of most inadequacies	Easier to implement is S country with T translators	Ensures the best fir between source target versions.
Drawback/ constrains	Leads to translation errors and discrepancies between S and T	Requires the availability of two translators, one native in S and one native in T languages.	Leads to good working in T, but does not ensure that specific meaning in S is fully rendered.	Costly to implement. Difficult to find the translators. Implies readiness to change source-language version.

Legend: S = source language; T = target language (translator or versions)

The techniques listed above were conducive in helping the researcher to reach translation equivalence. After back-translation or an initial translation process, the researcher can use “decentring” technique to change both the target and source language wording in order to enhance accuracy (Usunier, 1998). The employment of words and phrases depends on which common/similar meaning is sought in both languages simultaneously. This technique supports Usunier’s (1998) emphasis on the understanding of the meaning rather than the accomplishment of the translation equivalent in translations. To Usunier it is more important to be understood than to understand. “What is said by genuine cultural insiders is often difficult to understand unless their words have in some way been recalibrated in the linguistic/cultural background of the readers, which means a lot more than simply translated” (p. 58). It was however, sometimes difficult for the researcher alone to deliver the meanings between languages. Therefore, it was necessary to involve native speakers of the target language and other bilinguals to deal with translations.

The researcher then took measures to deal with the language translation problems. Having transcribed and analysed the dialogues of Chinese respondents, the researcher picked out and translated those with research significance. The first version of the translations was thus formed. Simultaneously, other bilinguals were invited to translate these dialogues. Then the translated transcriptions from the other bilinguals were cross-checked with the researcher’s and as a result, the second version of the translations was formed. The advantage of the parallel-translation technique in translations was then adopted by this study. The researcher then discussed the second version of translations with native English speakers and formed the third version of the translations. In the discussion process, the details of the chosen dialogues were given to both parties to examine, particularly in terms cultural context. Although not the complete back-translations, the techniques adopted enabled this study to achieve the maximum delivery of the meaning of these dialogues between languages. The researcher also discussed the selected dialogues from British respondents with the native English speakers in order to clarify the meanings of these words and expressions in British cultural context.

These techniques have successfully assisted the researcher to convey the meaning of interview materials between languages. One salient example is the translation of a particular Chinese concept “*Guanxi*”. *guanxi* was initially translated as “relationships”. With the assistance from other bilingualists, the researcher noticed that this concept in different situations has a variety of meaning and could be translated into a couple of English words or phrases. In different context, *Guanxi* can be translated as relationships, social capital or resources, social networks, unethical practices of bribery, custom or etiquette of carrying out relationships, or social contacts with power and resources. The language translation techniques assisted the researcher to detect dangerous zone of language translation and reduce the impacts of meaning deviation.

4.2.5. Ethical Concerns

On the whole, the research followed ethical guidelines of the Social Research Association’s and Statement of Principles of Nottingham Trent University in relation to research. An identification document from Nottingham Business School was used to identify the researcher and the purpose of interview. The procedure was explained and the respondents were assured of the confidentiality and anonymity of the information acquired through interviews. The respondents were also informed that they had the right to withdraw anytime during the process of the interviews. The audio-recording of interviews was applicable only under the permission of respondents. Data collected would be and only be used for the research purposes and would not be disclosed to any other third parties. Respondents received a business card with detailed contact methods of the researcher for the purpose of further contact.

4.2.6. Quoting Interview Materials

In this thesis, the quote from the interviewed conversations is presented in italic and end with the respondent’s coded number according to time order of the interviews. The quote sequence number is coded according to the location of interviewing, the section where the quote is located and the presented order. For example, in *q. B521-01*, q stands for quote, B stands for the British respondent, 521 stands for the section number 5.2.1., and 01 stands for the first quote; while in *q. C621-01*, q stands for

quote, C stands for the Chinese respondent, 621 stands for the section number 6.2.1., and 01 stands for the first quote.

4.3. Conclusion

This chapter has sought to explain the research methodology and research methods employed in this study. The first part focused on methodology: a social constructionist approach and sense-making methodology were shown to meet the aims and objectives of this study. Discourse analysis and ethnographic features were mentioned too and adapted to assist to yield more insights in studying language and culture. Reflexivity was also of importance. The second part discussed issues regarding research methods: issues such as Sampling, accessing, unstructured interview method, audio-recording, notes taking, data collecting, and ethical concerns. Further attention was given to issues regarding cross-culture, language and translation. As a result of the fieldwork, a large quantity of data was collected and the findings from the detailed analysis of the data are presented in the next chapter.

Chapter 5 Business Ethics and Entrepreneurship in the UK

This chapter presents the analysis of entrepreneurial ethical stances in the UK. In particular, the ways the British entrepreneurs understand, interpret and respond to ethical issues is considered here. The chapter begins with an overview of the ethical issues identified as relevant to the business practices of UK entrepreneurs. Next, the role of British entrepreneurs with regard to these ethical issues is further considered in terms of their relationships with the key stakeholders, namely employees, business partners, and government.

5.1. Ethical Issues Related to Entrepreneurship

As a result of detailed data analysis of 15 interviews with British entrepreneurs and an in depth review of existing ethics literature related to the area, a number of ethical issues emerged as relevant to UK business actors. Of a range of ethical issues that arose during the interview-based conversations, many dealt with the employment relationships. These issues included: entrepreneurs' asking employees to work long hours, providing low payment for overtime, and requesting that workers accept less holidays and employment benefits. Other relevant ethical issues are of a more general perspectives: employers' disregarding of employees' interests; promoting their own interest at the expense of employees; demanding for excessive workloads to be taken on by employees; obstructing employees to comply with employer's rules or regulations; imposing strict requirements on employees in terms of working behaviour or standards; disrespecting employees' opinions; dismissing employees unfairly; absence of written employment contracts; infringing employees' basic legal rights; and having a low level awareness of relevant legal regulations relating to employment. Ethical issues identified related to employees were absenteeism, indifferent or irresponsible working attitudes and behaviours, and the abuse or unauthorised use of corporation property.

The analysis of the data also revealed that ethical issues arose in the interactions between the entrepreneurs and their suppliers and customers. These included:

conflicts involving quality, price, accuracy of information, terms of contract; issues concerning the honesty, fairness and integrity of business partners; a distrust and suspicion of business partners; issues associated with low product quality, unfair prices, breach of sale and supply contracts, the use of contract loopholes, giving of false promises, non-fulfilment of contractual obligations, cheating and delayed payment, disrespecting for the terms and ethos of the relevant sale or supply contracts, disregarding customers, the absence of quality guarantees, using informal procedures to deal with conflicts, and low level awareness of relevant legal regulations protecting consumer interests.

Ethical issues reported in terms of entrepreneurs' relationships with government included unfair treatment, indifference towards engaging with government programmes, tax evasion practices, and low level of awareness of relevant legal regulations imposed upon businesses as employers and economic actors.

The analysis, then suggests that ethical issues pervaded entrepreneurs' practices. The following sections will detail British entrepreneur's ethical stances and the nature of the sense-making process regarding them.

5.2. Employment Relationships

Employment relationships are constituted by dynamic interactions between entrepreneurs as employers and their employees. One continuing feature of this relationship is ethical issues, which continually arise and through which, British entrepreneurs' ethical stances emerge and evolve. A distinguishing aspect of the UK institutional environment is that particular economic and political institutions seem to exert significant influences on entrepreneurial ethical stances and behaviours. These institutional influences strengthen, weaken or modify the rules and routines related to the employment relationships relevant to entrepreneurial business activities. In this subsection, how the institutional environment influences the sense-making process of British entrepreneurs within these employment relationships is considered. The question of how British entrepreneurs understand, interpret and respond to the related ethical issues will be specifically addressed by identifying what actions and responses

to these issues are reported by British entrepreneurs. Further, the identities they construct as they talk will be noted too.

5.2.1. The Purpose of Employment Relationships

The need for achievement was found to be of significant importance for all British respondents, as this framed the ways they dealt with the ethical issues as well as constructed their identities as employers in the employment relationships. All British respondents described employment relationships as crucial to business survival and growth, which rested on employee performance. Indeed, the respondents took-for-granted that their continuous efforts and inputs in the employment relationships were aiming to serve their business interests. The majority of respondents argued that the purpose of the employment relationships was to meet the practical needs of their business and that the values of employees should be evaluated in terms of their contribution to the business, the latter being measured particularly in terms of relative financial gain.

While British respondents verbally connected employment relationships with their business interests, what was of particular interest was the reported ways, in which the British respondents engaged in constructing “good employment relationships” and developing the working capabilities and skills of employees. British respondents’ ways of achieving their goals of growth and profit were, according to them, through motivating and using of management skills. Meanwhile though some of them also emphasised the importance of supervising and monitoring employees, notably the expressed managerial approaches of British respondents much less relied on formal power and hierarchy than their Chinese counterparts (see Chapter 6).

The researcher: What is your purpose in hiring people?

Respondent 2: I tried to manage the business all by myself... then I felt I was not able to carry on my business because I could not manage the office work, the change, the VAT and all the statistics... I advertised and got a secretary. That secretary stayed with me for quite a long time. She was perfect. She worked for me two days a week. She did all my accounts and worked on the tax... So I took advantage of her really... Her knowledge of management was something I did not have... Then it was much

better. I could concentrate on the part I really have to control and I can leave the office work to the lady... She is very good. (q. B521-01)

Respondent 2 stressed the importance of efficiency concerns in building employment relationships. He extracted this cue to account for his purpose of hiring people. Then he cited his experience to convince the researcher that this cue was plausible. Initially, Respondent 2 intended to do as much as he could, but when he realised that he could not manage some of the specific and professional aspects of business management and administration, he took on an employee. It was noticeable that Respondent 2 commented that the mentioned employee was “perfect” and “very good” on the basis of respondent’s perception of her practical use and value to the business. From an ethical perspective, the respondent noticed and extracted “cues” regarding employees’ contribution and performance to address the question of purpose in hiring people. It is a plausible story– mainly focused on the efficient contributions of his employees to address the employment relationships in this cultural setting.

The statement of Respondent 2 showed a taken-for-granted assumption that employees should contribute to the business. Such assumption was further established and incorporated into his enactment by his identification of five characteristics of being “good employees”: first, specialities, skills, expertise or experience, all of which were of potential value in meeting the needs of business growth – “her knowledge of management was something I did not have”; Second, loyalty – “that secretary stayed with me for quite a long time”; Third, hardworking spirit – “she did all my accounts and worked on the tax”; Fourth reliability and trustworthiness – “I can leave the office work to the lady”; Finally, outcome or contribution to the business growth – “then it (business) was much better”. The taken-for-granted and his notion of “the lady” showed that he treated his employees as a means to his ends with less attention paid to her merits as independent human beings. Respondent 2’s standards of “good” and “perfect” demonstrated that the focus was laid on the formal and expected features of the employment relationships as he saw it – to serve the best interests of the business. This example was illustrative of the statements from the British respondents overall. Further, British respondents expressed a cautious attitude

in hiring people and explained that this was because small businesses were limited in terms of available capital and resources. Taking another example:

***The researcher:** To you, what is the most important feature of the employment relationships?*

***Respondent 7:** When you got another member of staff, the thing they need is a computer. They (also) need a desk, and they need a telephone. You know they need all these things. After you got three members of staff, you then found you got no room for everybody to sit down. You need a new telephone system and it is all about money... The financial implications of that are horrific. You know you never make any money, because all you do is you get another member of staff. It will cost me about 3,000 pounds to equip that person and train them. It took them three months to become efficient. So if the business is growing that quickly, I need to employ somebody now in order to make that growth happen in three months time. She is not making any money for me now. Intellectually I knew that because I talked with the company in retailing. We knew what is involved in what was known as overtraining... And we had the system of your own approval for three months. If you were not good enough after that period you would get sacked... That is the way the businesses are operated. People shall understand what was required of them. If the business is not performing well then the new people will come in. (q. B521-02)*

Respondent 7 argued that employees should bring in profits and it was wrong to hire someone incompetent to contribute his business. This respondent extracted “cues” – the investment and consequent financial risk of hiring provided a plausible reason to employers’ adoption of a stance and activities of pushing employees for more contributions. Respondent 7 further built up plausibility of his argument by emphasising that the investment in the employment relationships was a heavy burden upon him and the business. Respondent 7 made sense of the ongoing process of interactions with employees and conveyed the learning-as-he-went-along. Basing on the past experience and observations, he concluded that “I need to employ somebody now in order to make that growth happen in three months time.” He particularly mentioned the financial risk involved in hiring: “It took them three months to become efficient” and “She is not making any money for me now”. Such financial strains and

risks gave a rise of an anxiety as he expressed “it is all about money” and “the financial implications are horrific”. In sum, he rationalised an ethical argument and enacted an environment, where employees should contribute to business and where it is wrong to keep incompetent employees. He explicitly defined and analysed the employment relationships in financial terms. Again, employees are treated as a means to meet the achievement needs of the respondent rather than being respected as independent human beings and ends in themselves. Pressurised by efficiency considerations, Respondent 7 also reported actions to oblige his employees to meet his objective and complete tasks.

What we saw here – and typical across all the entrepreneurs – was that he took-for-granted that employees should serve the interest of his business, and emphasised the substantial financial investment in each employee. As a way of reducing ambiguity and increasing the control of the environment, the importance of establishing rules and routines to make employees understand and carry out their duties was also indicated here. Again, through doing so, employees would add value to the business. He portrayed and enacted an environment, where pushing or even compelling employees to serve the goals of profit and business growth seemed plausible. As the owner-manger of the business, the respondent claimed that he possessed the power to manage the people for these goals and even to fire those who were seen by him as uncompetitive or unqualified. In this way, a plausible story was constructed and continued to offer legitimacy for his actions. Glimpsed in the above statement, the respondent displayed characteristics of an internal locus of control, self-efficacy, and even a sense of autocracy, as he set up the rules for employees, managed them, evaluated their performances, and made dismissal decisions. Through the sense-making, Respondent 7 constructed his identity of being an entrepreneur, who took on financial risk and the burden of hiring’, and enacted that he was entitled and pressurised to manage employees to contribute to the business growth. The extracted “cues” in regard to costs, value, profits, rules, control all contribute to the creation of a plausible story, where entrepreneurs as employers shall employ people with capabilities to contribute to their businesses. This ethical stance is a consistent feature across all 15 British respondents, by whom similar cues were extracted and combined to assemble a plausible story.

To strengthen the legitimacy of their approaches and rationalise their actions, many respondents emphasised that rules and routines were institutionalised and often with structural characteristics – for example, by saying “[t]hat is the way the businesses are operated”, Respondent 7 conveyed the plausibility of his “taken-for-granted” proposition and explained that such rules and routines shall be socially shared as “people should understand what was required of them”. According to this respondent, this cue was plausible because it was a common sense as well as an established feature of business routines and rules in employment relationships. Respondent 7 thus claimed that he was not in an ethical dilemma of dismissing employees, given his observations of institutional norms and practices: those employees who were incapable of effectively contributing to business should be dismissed. He further produced an optional situation for new employees – it was their call to choose to stay or leave, as the system was one where employees had to prove their practical value for business growth and “fit” in. Similar to Respondent 7, all the British respondents expressed a strong sense of inner locus of control and self-efficacy in managing the employment relationships to serve their business purpose. This is further discussed in the next section.

5.2.2. Managing Employees as an Owner-Manager

The analysis of the 15 British respondents’ narratives showed that they felt they must be skilful and patient in managing employees. Over half of the respondents (9 out of 15) complained that their employees lacked enthusiasm to work. This, according to these respondents, led to some specific ethical stances and hence business practices. These respondents plausibly reasoned that their experiences regarding unenthusiastic or irresponsible employees which led to a distrust or suspicious stance towards their employees and conveyed a particular sense to them in relation to employment relationships. Here, there were two ethical arguments propounded by these respondents: firstly, they expected that their employees committed more to their work, contributed to the businesses, and thus demonstrated their values to be employed. These respondents argued that it was ethically wrong for employees to work unenthusiastically or irresponsibly in their businesses. Secondly, these respondents justified their ethical stances of distrust or suspicion toward their employees as responses to employees’ “unenthusiastic or irresponsible” working attitude. They thus

enacted an environment, where if the employees could not work as expected, they had to take actions to “recover” the “right” employment relationships – that is, employees work to get paid. British respondents reported that they managed and motivated their employees in different ways and thus maintained or developed employment relationships for the purpose of growth and profits.

***The researcher:** What do you do to make your employees serve the purpose of the business?*

***Respondent 8:** (confident and glad to answer the question) We do have a persuasion skill. What that means is every year we give them a form to complete and they say what they think they achieved, how they did so and what they can contribute. This forms the basis of discussion with them and then we set them individual targets and goals for the following year and next year we see how far they actually met them. They are not just sales goals but maybe we want them to get another qualification, or learn how to do something or train them, or it could be anything like that. We are keen on that here. We want them to have a skill. (q. B522-01)*

Respondent 8 recounted the process of establishing the rules for eliciting a contribution from employees. The expression and the way that he answered the question showed that he took for granted that he as an entrepreneur should motivate his employees skilfully for more contributions to the business. The owner-manager status enabled him to set up systems to promote the productivity of employees in adding to business growth. As a result, Respondent 8 constructed the identity of entrepreneurs as the employer who should skilfully and strategically promote the working employees’ working efficiency. Respondent 8 specifically emphasised his enactment in improving their working skills, qualifications, knowledge, and professional trainings in order to promote their working efficiency. As the entrepreneur stated, the focus of his efforts was located in “what they think they achieved, how they did so and what they can contribute”.

Likewise, grounded in their business interest, other British respondents claimed that they spent substantial amount of time, effort and finances on employment relationships. They, in these ways, showed a strong sense of internal locus of control

and self-efficacy. They took for granted their responsibility as managing or motivating employees and ensuring them to meet their purposes of profits and business growth. Within this tight remit, notably, one of the methods used was to increase the activities of supervising and monitoring employees as illustrated in the statement below by Respondent 6.

The researcher: *What are the difficulties between you and your employees?*

Respondent 6: *(very quickly answered) No, we did not have any difficulty. I get along with them very well.*

The researcher: *Anything you feel unsatisfied with them about?*

Respondent 6: *(hesitating) Well... If you are developing the business and you are the person who puts the money in and the time, you cannot expect somebody who is working for you to have the same passion... Sometimes they required supervising. They didn't carry on with their work unless somebody was standing there at that moment. Sometimes you had to constantly monitor. You need to be able to put somebody into position - this is your role; this is what we need you to do. We don't mind them asking questions but we found they weren't asking questions, they were just not doing anything. (q. B522-02)*

Here, Respondent 6 rationalised his activities of supervising and monitoring employees. Through describing it as a structural rule that employees were less motivated to contribute to the business, he plausibly argued that because employees did not spend time and money in the business like entrepreneurs did, they did not have a direct stake or interest to work enthusiastically. The argument was based on the respondents' perception of the prevalence of individualist values among the work force. Elsewhere, respondent 6 propounded that employees' lack of enthusiasm to work in his business was of social origin and was common rather than particular. Drawing on such a "cue", Respondent 6 enacted an environment, where it was legitimate to increase supervision and monitoring activities to oblige employees to work. Thus he built the plausibility and an allied identity of an owner-manager, who supervised and monitored other members of his business, as Respondent 6 stated "you (entrepreneurs as employers) need to be able to put somebody (employees) into position - this is your role; this is what we need you to do".

The majority of British respondents expressed that they took measures to manage employees. The argument of Respondent 6 was shared by other eight respondents: “They (employees) didn’t carry on with their work unless somebody was standing at the moment. Sometimes you had to constantly monitor”. Among these respondents, some entrepreneurs extracted cues of the danger they faced, given the employees’ poor performance and limited contribution, caused by the reluctant working attitude. This was used as the means to rationalise their actions of pressing employees to work – it was tied to an ethics of capitalism. However, the stances and actions of these respondents aggravated wide ethical issues of using human as means to end regardless employees’ independent humans’ status and their own benefits, and correspondingly evoked distrusting, suspecting, disrespecting and obstructing employees. Questioning the self-discipline, autonomy, skill level or capability of their employees, these respondents justified their actions of increasing direct monitoring and supervision. Through making sense of the relationships in these terms, the respondents legitimated the function of constant monitoring and supervision – it was ‘right’ to do this – and simultaneously, the construction of entrepreneurial identities had this central facet.

It was noticeable that there were some contradictive expressions regarding the use of supervising or monitoring activities to oblige employees to work. Although, like Respondent 6, other respondents also took for granted that they should take the responsibility to direct employees to work “properly”, there was salient hesitation and reluctance in revealing this, even by Respondent 6. This hesitation suggests that there is an awareness that such forms of sense-making – where supervising and monitoring activities are voiced - might be ethically challenged. British respondents might feel that such activities were an imposition and against the ethics of work relationships. They were afraid of being labelled as unethical by the researcher and thus felt reluctant to mention relevant experience. In addition, a sense that these activities would affect their image of being good leaders may explain the hesitation. This suggestion seems further supported by contrasting to the respondent’s fluent talking in regard to his experience in motivating employees’ to work enthusiastically and spontaneously.

It was notable, then, that most of the British respondents during the early stage of their interviews felt reluctant to answer the question regarding problems between them and their employees. They tried to convince the researcher that their employment relationships were in harmony and had no situations giving rise to conflicts. When asked why they hesitated, they answered that they just could not think of anything. However, at a later stage, there were a considerable numbers of complicated cases contradicting earlier explanations. It is important, then, to draw from the analysis of the whole conversations with interviewees. Doing so enables such hesitations to be interpreted. In this case, the analysis suggests that because they felt that their ethical stances to employees might be seen as inappropriate, they thus became hesitate or almost defensive to carry on with this topic.

The British respondents also emphasised the importance of possessing sufficient knowledge and capability for them as employers to direct employees working properly in terms of business survival and sustainable development. They argued that one of the main roles of entrepreneurs was to directly intervene and control employees' work in order to improve their performance. This expression was not only connected by the respondents to their perceptions of employees' reluctant working attitude, but also to the entrepreneurs' suspicion of employees' capability to finish the jobs to the expected standard. The Respondents - as owners of the business – are the ones in control and understand their business needs. They conveyed confidence in their own knowledge and working skills related to the business as well as giving expression to their authority to direct employees to work with efficiency and appropriateness. Seven respondents admitted however, that the power and authority they possessed gave rise to conflicts and engendered resistance by employees. However, these respondents also argued that the use of formal rule – power and authority were necessary for entrepreneurs to run a successful business and achieve their business plans. The picture is a complex one fuelled by contradictions and compromises, and resolved day-by-day.

***The researcher:** Why do you think it is important to supervise employees?*

***Respondent 2:** It was for me to check others (employees)... The only thing that could get the work smoothly done was that I have to go there to work with them myself. I*

was there. I was hands on these staff all the time. It was not so easy. If you have not got the skill yourself in that trade, I do not think you can make it. If they (employees) say it can not be done, you show them it can be done. Then they will just follow that.
(q. B522-03)

Here, Respondent 2 explained his reasons for exerting direct influence on the work of employees. In this statement, he depicted a situation, where there were disagreements between him and his employees regarding business operation. Respondent 2 noticed and bracketed specific cues related to the working attitude and capability of employees. He questioned the capability and reliability of his employees to work independently. To settle the disagreement and direct the employees, he demonstrated that he possessed knowledge regarding the business and authority to manage employees to work as he expected. Plausibility was thus achieved alongside the identity of entrepreneurs as knowledgeable employers and authoritative managers of their own businesses.

Respondent 2's narrative exuded a strong sense of self-efficacy and inner locus of control to guide employees to work. His presence on the working sites and his knowledge and skills enabled him to show the employees proper ways to work. He admitted that "it is not easy", and there was an element of distrust and suspicion of employees' capability. He plausibly argued that entrepreneurs should possess the power and authority to examine and instruct employees' work - "it was for me to check others (employees)". According to this respondent, it was correct and ethically sound to do so. However, when conflicts escalated, some British respondents would seek other harsher resolutions including the dismissal of employees.

What was interesting was that all British respondents were reluctant to mention their experience in dismissing employees. The analysis suggests that the dismissal itself was ethically challenged in this cultural setting. Respondent 10 commented that "firing never happened in my family business... That could be some kind of horrible thing to have to do it". This suggests that the institutional environment of British entrepreneurs raised serious ethical concerns for the respondents when they decided to terminate employment relationships. These respondents portrayed it as an ethical

dilemma in dismissing employees, no matter how justified they argued they were. Some British respondents (9 out of 15) worried about legal consequence of dismissal; some of them considered that it was morally wrong to dismiss people and leave them unemployed (5 out of 15). Though admitting dismissal put them into ethical dilemmas, some respondents (7 out of 15) argued that it was their legitimate rights as employers to do so when they had sufficient and fair reasons.

***The researcher:** Do you have experience in dismissing someone?*

***Respondent 7:** I did sack one person. That was a senior person. She was a problem. She was never aware that she was a problem. Then she just bullied other employees. She wasn't as good as she thought. You did not want two people in tears. Well life is difficult and so on. But in the end I paid her off. I sacked her. It had a very good effect on the rest of the group. Because nobody liked her and they thought I did it for them. The other good effect was people said he sacked one person perhaps he might sack me. But I think it is always these problems - how to get people to work properly and how to control absenteeism... When the person who never did any work got sacked, the rest of the staff might worry about what it means for them. But they like the idea that somebody that wasn't really working was no longer there... So I did all sort of things including indicating the people who really ought to leave. But I did not sack them. I just thought that it is better for them to work for somebody else. (q. B522-04)*

In the above statement, Respondent 7 rationalised his dismissal decisions by placing the blame on the employee. The reasons for dismissal given by Respondent 7 were focussed upon his subjective descriptions of poor performance from the employee, which had been seen as adequate to justify the dismissal of the employee. As was shown in his statement, a number of reasons had been given to justify the dismissal decision. First, this employee bullied other employees; second, she was not able to get along with other employees; third, other employees disliked her; fourth, she never did any work; and finally, the dismissal was treated as a warning to all the other employees. The extracted cues demonstrated a strong ethical objection against dismissal decisions in light of the observed institutional environment. Respondent 7 thus needed sufficient and plausible reasons to persuade the researcher that he was right – ethically justified – to make the dismissal decision.

The plausible order of the reasons listed by Respondent 7 indicated that failure to serve his business interest was not credible enough to dismiss employees than other reasons. The core explanation here is that there are institutional constraints on employers' power and control over the employees. This means that they may possess the power to dismiss employees; yet that this is an extreme action, which can not be solely justified by the efficiency concerns of employees' working performance. Like other respondents, Respondent 7 cited the faults of employees instead of elevating his business interest to convince both the researcher and himself that the dismissal decision was justified. In this fashion, particular cues were selected and assembled to construct plausibility. The observation of institutional constraints also means that the employers' power over employees is held in check. This is also demonstrated by this entrepreneur's avoidance of using terms "fire" or "sack" to describe the decision of dismissing employees, even though he offered a "good" and plausible story.

It is also interesting to note that Respondent 7 attempted to avoid ethical challenges or managed ethical tensions by reinterpreting certain words. He described his dismissal decisions as consisting of "indicating the people who really ought to leave" and claimed that, "I did not sack them but I thought that it is better for them to work for somebody else". It was also noticeable that in the early statement in Section 5.2.1., Respondent 7 took it for granted that he should dismiss employees portrayed as incompetent or incapable of contribution. Thus, to this respondent, dismissal based on efficiency considerations was less plausible than "the suggestions of relocation". Dismissal decisions were ethically problematic so much so that most respondents were cautious about using the words for it to be a resolution sought after for employer-employee conflicts.

The researcher: *What are the conflicts between you and the employees?*

Respondent 2: *Sometimes, they thought we had done well through the summer period and they wanted more money. I used to have to explain to them what was to come through the winter. We did not make much money because of the weather. So they must realise that to get the continuity of the work, we must have the same team together ready for the spring and summer... Sometimes, they did not understand this.*

But they still carried on with me, because they realised (that) it got them the continuity of the work. (q. B522-05)

Respondent 2 also admitted that under certain circumstances he had had to compel employees to comply, and that this had included dismissal threats. The circumstances noted by Respondent 2 here revealed disagreement and conflicts of interests between employees and employers, which depicted by the majority of British respondents with negative effects on business interests. They thus assemble the plausibility for their action to deal with these conflicts and control the damage with necessary means. As a first step, the majority of respondents also suggested that developing mutual understanding was essential for conflict resolution.

According to Respondent 2, he used methods with escalating strength to resolve conflicts with his employees. He considered that it was imperative to identify strategic ways to do so. The statement of Respondent 2 regarding issues of payment demonstrated how he escalated the use of powers at different stages of disagreements and conflicts with his employees and constructed his identity as a skilful team “leader”. At the first stage, this respondent used soft means of conflict resolution and appealed to their mutual understanding to reconcile the disagreement. For the sustainability of business, this entrepreneur attempted to persuade employees to accept his financial decision and to face the financial difficulties together. The result of using communication or negotiation was disappointing as employees “did not understand these”. Underlying this is a tougher role as an employer who threatens to terminate the employment relationships. Employees must accept his payment arrangements no matter whether they understand it or not. This time, Respondent 2 expressed his satisfaction with the result as employees followed and “still carried on with me”. It was noticeable that “the continuity of work” mentioned twice. This respondent used the continuity of their jobs to force his employees to accept his wage arrangements. As a result of a series of interactions between employees and him, Respondent 2 established the rule to resolve conflicts. Communication and negotiation would be applied first and then he relied up on means of compelling employees.

As owner-manager of the businesses, British respondents took it for granted that they possess a power to manage employees to comply with their goals of profits and growth. However, none of the respondents directly mentioned that they had used such power and their owner-manger status to push people to work, though nine respondents admitted that supervising and monitoring employees was a necessary part of the tasks of entrepreneurs. At the same time British respondents noticeably liked to portray themselves as understanding and caring employers who possessed skills and strategies to motivate employees to work willingly and enthusiastically. The embedded ethics of all human relationships perhaps explain this complexity.

5.2.3. Caring and Motivating Employees

In contrast to their reluctance in mentioning their power over employees, all British respondents were more relaxed in explaining their efforts of motivating the employees. They claimed that they were pleased to assist employees in integrating them into the organisation, realising employees' potential, educating and training employees, promoting employees' career ambitions, raising employees' benefits or treatments, and improving human resource management. Such a contrast was evident in comparing the following statement of Respondent 7 with the previous one (q. B522-04) reported in the Section 5.2.2.

***The researcher:** Can you define your relationships with employees?*

***Respondent 7:** ... I'm a bad example because it is a service industry that I'm in and because I have been in the academic field and I'm used to the way in which you accept in academia that everybody has their rights and so on ... I might shout at somebody because I can be aggressive sometimes. But basically I have not been brought up in the organisation where that is normal. So we accept that we can become abnormal sometimes. But normality is that everybody else is human being. So you treat them properly. When employ people it was like that. So I'm a friendly person and also ensuring that people had what they need in order to do their work.*

The only problem I found was dealing with things like absenteeism and where the people work as hard as they should do when they are at their desk. I did find it is a problem. So we did a number of things to try to make people work hard and to try to

deal with absenteeism. I did find that absenteeism was very difficult... so all the book said "well, you talk to them to realise the problem and so on". I certainly did that. What I did at the end was I set up a system where everybody can have ten days off with no control and there won't be any charges or there will not be any questions asked. If you have any more than that we will deduct the money from you. So in other words let's say if somebody is off at all, then I will get paid after the ten days (I do not pay them and thus save the money to pay their wages). (q. B523-01)

There were contradictions in Respondent 7's description of the employment relationships with his previous statements. Here, Respondent 7 described the behaviours of disrespecting or obliging employees as bad "examples" and "abnormal". To maintain consistency of his language, Respondent 7 gave reasons for his "conducting" of such abnormality, including industry type or sector and previous working experience. He felt that his previous expression (see q. B522-04) regarding employment relationships put him on a low threshold of morality. To maintain and enhance his self-image, the respondent accounted those expressions as "abnormality", and contingent. He thus enacted "normality" conveyed a world, where employees should be respected and treated as human beings; the needs of employees should be understood in order to motivate them to work.

Respondent 7 attempted to convince the researcher the plausibility of his argument by giving an example: how he acted in "normality" and through doing so, to convey what is acceptable and normal to him. The given example is one illustration of how a respondent talked about motivating employees to reduce absenteeism and focus on their work. It is also an example of sense-making of what are right or wrong actions or stances – an embedded ethics, which an entrepreneur as employer should take to employees. Respondent 7 admitted that communication was important. He had talked with employees about it. However, the situation of absenteeism continued and the respondents' business interests were threatened. Respondent 7 thus decided to proceed further and set up a formal system. By doing so, he enacted an environment where the employment relationships were characterised by his creations – control of absenteeism and motivating employees. Meanwhile, the respondent attempted to persuade the researcher that his action was legitimate as he had sought understanding

and communication with the employees as well as satisfying their needs. Through this form of sense-making, Respondent 7 enacted the parameters of what he expressed as “normality”. That is “everybody else is human being. So you treat them properly”. In constructing this plausible story with its inherent ethical guidelines for action, he also simultaneously weaved in his identity – “So I’m a friendly person and also ensuring that people had what they need in order to do their work”. He was then depicted as a fair and approachable person.

Other British respondents also extracted similar cues – entrepreneurs should highlight the importance of understanding, communicating with and motivating employees – in their plausible accounts for employment relationships. This suggests the existence of broad managerial templates regarding good leaderships and employment relationships. The following statement of Respondent 2 reflects similar pattern of enactments and identity constructed by Respondent 7.

The researcher: *How can you manage your employees to contribute to the business?*

Respondent 6: *Actually I know I’m the boss. I employed them and basically my word was final words on things... But I do not like to push or order people, (and) treat them like robots. That is not right. I always ask our staff the feedback of their opinions, and their ideas. We are small office so I can’t really be away from them. (That is) sort of watching everybody because we are working together. It is more like one team. I probably direct the team, but I ask everybody to get ideas and make them feel they are involved. I hope I never made people feel that I’m sort of watching them and pushing them. (q. B523-02)*

This respondent also dealt with a dilemma between being a “powerful” or “understanding” employer. He took for granted that as a business owner, entrepreneurs possessed formal authority and expected employees to cooperate and accept monitoring, supervision, instructing and directing their works as legitimate methods. Equally it was morally wrong to order the employees against their willingness as he stated “I do not like to push or order people, (and) treat them like robots. That is not right”. The ethically imbued sense-making of the respondents rests on a view of the independent human being status of employees, but also counterpoise

this to a mean-ends relationship. To do so, particular cues were extracted and used to enact a particular environment as they fashioned plausibly so. For example, Respondent 6 placed himself in a comfortable moral place by claiming that he respected and listened to employees, while also retaining the “final word on things.” His statement showed the efforts in reconciling the conflicts between an authoritative role of owner-manager and the ethical employment relationships in this mundane way. He admitted that dealing with human beings was a complex task and argued that it was because of the small size of the organisation that all members needed to get used to stay together. He emphasised that he did not intend to watch the employees and push them to work, but he could do so implicitly because of close proximity. He claimed that he also conveyed some attention to the emotional needs of the employees – “hope I never made people feel that I’m sort of watching them and pushing them”. Finally, he addressed the dilemma by employing word “team” and defines it for us too – “I probably direct the team, but I ask everybody to get ideas and make them feel they are involved”. The response from employees then seems to influence his approach to manage the employees. The researcher then followed this through with a probe:

***The researcher:** Why don't you order people to work?*

***Respondent 6:** I think you can order somebody to come to work. But from my experience, it does not really work with my own company. People were told “you have to come in and work next weekend or something”. You often found that then on the morning that they were supposed to come in, they came down with flu or something. They were ill and they couldn't work... (q. B523-03)*

Respondent 6 cited his experience to assemble plausibility for his argument that coercion did not produce any good for employers but evoked negative responses from employees. His previous enactment and identity construction of a stronger and more powerful role was frustrated by the responses from the employees and thus was not socially shared. He engaged in more activities of sense-making and enacted an environment, where the activities of pushing or ordering employees became a less important feature.

Turnover of employees was extracted by British respondents as a constraint preventing them from being coercive or too demanding. Most British respondents extracted the cues from their observation that employees were not strongly restrained by the existing employment relationships and were easily tempted to leave their organisations. They plausibly propounded that a demanding or coercive employer pressed employees to exit. Most of the respondents, however, sought to enact an environment featured with long-term relationships with the employees, since harmonious working relationships and the close emotional connections were deemed to contribute to the business successes. They extracted cues based on efficiency considerations and their need for business growth: retaining an employee not only maintained the smooth operations in their organisations and thus contributed to the business growth, but also saved the cost of recruiting, equipping and training a new member of staff. To retain employees, the British respondents expressed that they had to maintain good relationships with employees and avoid direct conflict or using coercive power to provoke employees.

The researcher: *How can you keep your employees?*

Respondent 2: *It is a problem sometimes to keep men together for a long time. I think these days it is quite difficult... Very often the other firms see you getting on well and they want those people you got... Sometimes, it is hard to keep them happy... I think (that) when you own your business, you can not put too much pressure on the people working for you. Otherwise it will make them work too hard... If your job is not running nice and smooth for them, they think they should go to work for someone else. They did not come back again usually. They do go away. I did experience this for a few years. But later on I did not... They must be happy, work together and get the work done... They became more loyal and more confident of what we were doing. We were never short of work. I would always find sufficient work for them. Through getting them the right sort of work, you could pay them right sort of money. (q. B523-04)*

Here, Respondent 2 was making sense of the previously high turnover of employees and identified a series of difficulties in developing long-term employment relationships. First, employees seemed to be more focused on personal gains and were

less loyal to the organisations; second, employees were easily tempted to work for competitors' organisations, which provided better working conditions; third, employees resigned due to their dissatisfaction with financial incomes; fourth, employees exited as they felt discontented with working circumstances, particularly pressures from employers. Thus, Respondent 2 built up plausibility for the actions of changing the working conditions and improving employment relationships. The account conveys that entrepreneurs constantly learn and try to improve employment relationships while also avoiding direct conflicts with employees.

Similar features of sense-making and enactments were also shared by other respondents too (e.g. Respondent 6, q. B523-02, 03; Respondent 7, q. B523-01). This demonstrates that the increasing attention paid to the benefits for employees was commonly extracted by British respondents as important cues used for the plausible construction of taken-for-granted conventions. The common characteristics of their talk suggest the existence of a common managerial template of how to be a good business manager and what constitutes effective leaderships. This template is grounded in a caring and understanding approach to employees but also embraces the skilful and strategic management practices of motivating employees to work willingly. It is worth noting that such a benevolent description of themselves by British respondents was not only derived from the influence of such managerial template, but also related to the influence from the prevailing political and legal institutional environment, which is discussed in the next section.

5.2.4. Political and Legal Perspectives

While all British respondents denied the existence of hierarchy between them and their employees, the detailed analysis revealed that a strong sense of their role as “the boss” with power to fire, to manage, and to control was also a varied feature. This denial, though, might suggest that they shared templates of employment relationships which were characterised by horizontal equality. This may also explain why the respondents depicted it as less plausible to enact an employment relationship featured with a powerful or authoritarian employer. In sum, British respondents recognised that as owner-managers they were entitled to manage employees to work efficiently and effectively (e.g. q. B522-01 to 05). Importantly too, they made sense and enacted

an environment, where as part of the current institutional environment, employment relationships were of a mainly flat structure and that employers' actions should not endanger the autonomy and freedom of employees.

***The researcher:** How do you see the power relationships between you and your employees?*

***Respondent 4:** (Firmly) No, we do not have power relationships. I think I and employees are quite equal... I agree that the relationship between the employees and employers is always a very flat structure... We are very much into developing the people themselves so that they can take a pride and have a stake in the business. We don't have sort of rigid structure. We allow people a great deal of autonomy and also freedom, for example (I allow) if people want to have a few hours off... They know what they are doing and don't feel like they are just slave...*

I think there has to be a mutual understanding between (us)... You look after them financially and spiritually, you want to make them grow with the business and you have a responsibility. People we have got are very trustworthy and really enjoy the company and enjoy the freedom that I gave to them. If you give people freedom, empower people, they will have a sense of responsibility in return. For example, I sometimes work on Saturday and Sunday because I'm the boss and I have to. But I can't expect my employees to come and work on Saturday because they have family and things like that... if there is a need they will come in... I did not have to ask them. They would do it by themselves, because the job needs to be done. One of our colleagues just got out for a week holiday and the two days before they put in 12 hours a day to make sure everything was done. So nobody has the attitude of it is 5 pm I'm going. Normally you get that in organisations that really treat the employees badly. (q. B524-01)

Given the question, Respondent 4 strongly denied there were power distances between him and the employees. He extracted cues from his observing a structural characteristic – equal status between employees and employers. The respondent assembled plausibility by claiming that his conducts complied with this structural characteristic – he treated his employees with respect. Based on the need of self-

enhancement, Respondent 4 constructed his image as an approachable, considerate and skilful superior. He rhetorically announced that he aimed at “developing the people themselves” and building up emotional connections between employees and his organisation – “they can take a pride and have a stake of business”. In addition, the respondents’ emphasised autonomy and freedom to employees in order to increase trust and improve mutual understanding. It was interesting to see here that this respondent committed himself to “look after them financially and spiritually” and “make them grow with the business”. By his language, he enacted an environment, in which an exchange of understanding, trust and commitment were commonly characterised and based upon horizontal relationship.

In the statement of Respondent 4, the results of these efforts were rewarding and thus, he reinforced his enactment of a flat structure within his organisation. However, it was noticeable that he mentioned that it was him to give employees “freedom” and “empower” them. He thus constructed his identity as an approachable “friends” as well as an authoritative superior, who was in charge of employees’ working schedules. Thus a contradiction had surfaced, since there were the status and power difference between him and his employees. To maintain self-consistency, this respondent emphasised that he used power to do good for his employees in exchange for their responsible and enthusiastic work attitude, which served his business interests. He thus achieved a plausible story as well as maintained the portrayed positive image of him.

Two respondents reported that they developed personal relationships with their employees, while both of them emphasised the importance of keeping distances. Such contradictory expressions were illustrated by the statements of Respondent 8.

The researcher: *What do you think of your relationships with your employees?*

Respondent 8: *I would like to think that we see them (employees) as a friend because we socialise together. It is human relationship thing isn't it really? It is no written policy about this. You have to keep a little bit away because there are times when you might have to criticise or to tell them to do things. I do think of them as equal although obviously I got a lot more experience than they have. In the meeting there is*

no hierarchy in the meetings. If we have a problem we brainstorm it and it doesn't matter who comes up with the idea. I'm not going to say it is wrong. We just say lets brainstorm and they say look it would be a good idea and I say no it wouldn't because of this. I will be happy with that and I want them to do that because it is no point to have people and they just say yes sir yes sir. If you make a mistake, they are not going to help you (q. B524-02).

Similar to Respondent 4, Respondent 8 extracted cues and enacted an environment characterised by equal status between employers and employees. According to his statement, this cue was plausible enough to motivate him to act accordingly. As he socialise with his employees together, the respondent reflected that their relationship was similar to that of friendship. Respondent 8 further made sense of his past experience that the equal status was also reflected in the internal meetings held for the discussion of business issues. He plausibly reasoned that when the employees felt respected, they would increase their emotional connections with employers and help them willingly. Thus Respondent 8 rationalised his stances to maintain a good relationship with employees and even to develop this further to the level of friendship. However, there is an ethical contradiction in the latter statement of Respondent 8, which suggested that it was inappropriate for entrepreneurs to have too much proximity with the employees, since personal relationships gave rise to difficulties in carrying out their duties as employers and business managers. Respondent 8 noticed and bracketed contradictive cues in addressing his relationships with employees. To reconcile the conflicts, Respondent 8 emphasised the importance to maintain equal relationships with certain distances between employers and employees. For him, personal relationships should not prevent him from carrying out his duties as the owner-manager. Indeed, this suggests that caring stances as well as motivating skills are part of management methods for entrepreneurs to exert the internal locus of control in employment relationships and direct employees to serve their need for achievement (profits and business growth).

Similar to Respondent 8, other British respondents reflected the same feature in their sense-making. In part, this reflection may be explained by the legal protection available for employees. Indeed, the statements of British respondents indicated that

legal institutions provided the broad frame for the respondents' ethical stances to their employees. As we will see next, all British respondents noted the influence of legal institutions during their sense-making. They claimed that they honoured the employment contract and adhered to the law. Yet there were two sides depicted to this: On the one hand, legal institutions ensured that the entrepreneurs as employers would not infringe the legal rights of employees, particularly in terms of unfair dismissal. On the other hand, legal institutions set out the legal boundary within which the respondents could carry out their legal rights as owner-manager of business and manage their employment relationships.

***The researcher:** What do you think the role of legal institutions in the employment relationships of your organisation?*

***Respondent 7:** You have to be careful about legal side of hiring and firing somebody. You must ensure that you have done it in exactly the right way. It is really a matter of sort of insurance in advance that you know exactly what you are doing... The problem with the small business is that the small business is less likely to have a contract of employment. It may not even have a list of duties... So all the things that you need to do to ensure that you meet a legal requirement as a small businessman and woman is not going to be done because they don't see that it is relevant to them and then when they get the letter from somebody they have sacked and then a letter from the solicitor saying he is going to take you to sue for unfair dismissal, and that often is the case. It is really then a matter of sort of ensuring in advance that you know exactly what you are doing... I know a lot of businesses who feel very bitter about it. They said "She (one former employee) didn't do any work. Everybody hated her and she stole. When I sacked her, there was a solicitor (who) wrote to me. She threatened to sue me for unfair dismissal. So she not only stole from the company but I had to pay 9,000 pounds to get her away, because it would cost more than that to defend the case...". I'd better to be very careful. (q. B524-03)*

Respondent 7 admitted that legal institutions, particularly employment contracts, formed the general framework of employment relationships. He took for granted the need to abide by the legal regulations in interacting with employees. In addition he recognised that breach of the law would bring serious consequences. He further built

up the plausibility for his argument by citing his observation of other entrepreneurs, who suffered losses in terms of time, effort, finance as well as emotional frustration. Respondent 7 gave a particular example and focused on the negative consequences of excluding legal institutions in the small businesses. By emphasising the substantial loss and describing the miserable consequence of non-adherence, this respondent presented his sense of plausibility of his argument – “I’d better to be very careful” – now seeing the legal institutions and regulations as insurance in advance in light of any potential argument regarding employment relationships. The argument regarding dismissal led to the respondent’s speculation on the importance of legal institutions in the whole employment relationships. There is an ethical flow embedded in legal institutions. Here for example the ways are demonstrated through the ethical sense-making of Respondent 7 and the majority of British respondents, who actively extracted cues regarding legal institutions to assemble plausibility around both sustainable employment relationships and identities as entrepreneurs. Though the influence of legal institutions was well recognised among all British respondents, not all the respondents agreed about the paramount importance of contracts in employment relationships however as indicated next.

The researcher: *What’s the role of the contract and legal institutions in your employment relationships?*

Respondent 6: *When I worked for my own employer, we have signed a contract and that contract said ‘you are prepare to work 365 days a years excluding Christmas and you have to be prepared to work any hours between 8 am and 8 pm. And that is a contract, so they said to you “you have to come in and work” and you have to come in. And with my own employers, they were very strict... there is a lady (working for us.) She has children, and she is a single parent, and she has real difficulty. I try to get them to be flexible with the way that they work. So I think it depends on the type of the company. Large banks or large businesses are less flexible regarding the need of their staff than the small business like us. We have to be flexible because if we said to our staff that you need to come in every Saturday and every Sunday, they would not stay that long. So we keep flexible with them and let them have time, if they say “do you mind if I want to have next Wednesday off, or can I finish earlier tomorrow?”*

They are more like that. When you say “I really need you to come on the next Saturday”, they will come. (q. B524-04)

In contrast to that of Respondent 7 (q. B524-03), the statement of Respondent 6 showed that he valued the informal characteristics of the small business more than the contractual relationships like those in a large company. This is, Respondent 6 argued that only large organisations could adhere strictly to the contract with their employees, whilst the small businesses had to be flexible and informal in order to keep employees.

This respondent constructed the plausibility story by extracting two cues. The first cue was that an employer from small businesses should respect human status of their employees and their diversified personal needs. By depreciating the “inhumane” and “rigid” stances and practices of large businesses towards their employees, he enhanced his own image as small business owners featured with a more flexible, considerate and approachable characteristics. The second cue was that it was difficult for small businesses to keep their employees, if they imposed strict rules or rigid contracts on them. A flexible approach had been argued by this respondent as necessary to maintain smooth employment relationships, increase his control of relationships, and thus serve the best of his interest. Through extracting these two cues, Respondent 6 assembled plausibility and strengthened his argument – entrepreneurs relied more on flexibility, approachable and considerate approaches to maintain employment relationships than contractual and legal institutions. However, it is worth noting that he was not denying the importance of contractual and legal institutions in business relationships. The importance, he argued, was not as salient as in the larger businesses.

This section discusses the findings regarding the business ethics in relation to entrepreneurial employment relationships in the UK. The next section adds to the understanding of entrepreneurial ethics and relevant sense-making in relation to entrepreneurial business relationships.

5.3. Business Relationships

All British respondents claimed that they generally valued their business relationships and were actively involved in developing their relationships with customers and suppliers. There are four subsections, beginning first with discussing the emerged theme of “quality and price” centred business relationships.

5.3.1. Quality and Price Centred

The majority of British respondents explicitly claimed that their business relationships focused on the quality and price of products, which were closely connected with profits and business growth. The respondents stated clearly that they would not tolerate breaches of the quality and price commitments, even when that led to the termination of the business relationships. By such expressions, these respondents conveyed a strong sense of internal locus of control and self-efficacy in managing this aspect of their business relationships to meet their business interests.

The researcher: What is the most important thing in your business relationships?

Respondent 2: It was not the big signs of the contract really to maintain a good relationship (with suppliers). It was the continuation of the account going and the regular supplier doing. When the materials are wrong, you have to tell them. Then they will send the representatives to look at it and then replace it... They will give me a good rate because I never let them down in payment and they want to keep me. They do not need to worry about my money. With some other people, they have to wait three or four months. They have to go to chase them up. That is one thing that I think to make a better relationship.

Whenever they (customers) complained about small one (details), I would deal with it immediately. Someone complained might be very simple thing in my mind, but to them it became very big thing ... They would say “you see, this is not very good”. I will go immediately to put it right. And I will ask “anything else”. If there was anything else, I would do it as well. But I have to go myself always because I have to see what the problem was, whether was the work of my people or something to do with materials itself. And rectify it then. So no one could say “you have not done it”. Then you would

get paid in the normal way. Some customers did complain about it and withhold the money from it (q. B531-01).

Respondent 2 extracted cues highlighting the importance of the price and quality commitment in building business relationships. Good suppliers were defined by this respondent, indeed as well as other respondents, as those who continuously provided a good quality and a good price. In return, the respondent repaid the suppliers by punctual payment of invoices. As a result, the respondent enacted an environment, where continuous fulfilment of quality and price commitments and the trust built were grounding a good business relationship, as opposed to this being done via the entering into contractual relations. The quality issues were given particular attention. Clearly, if he could not satisfy the requirement of customers, he would not get paid on time and his profits would be affected. The price and quality concerns were so important that Respondent 4 even claimed that they would terminate business relationships, if their requirements could not be adequately met. These aspects provide a broad – an expected – set of extracted “cues” which provide the basic resources for sense-making and enacting “environment”. The ethics are also embedded since what is right and wrong, or “good” and “bad” practices is also woven into this account. Other times, though, cost and profits were highlighted as respondents indicated.

The researcher: *Please describe the difficulties in your business relationships.*

Respondent 4: *When we first develop the business we actually used the UK manufacture... but the quality is dreadful... They only get small production role and they try to transfer cost on us. We had something like 40% failure... so just simply cut it off... We just don't use them anymore. From the Chinese production from the first 100,000 pieces we have something like 10 pieces very low... Because if you sale 100 pieces and you get 40 pieces back it going to cost you a lot of money in term of posted logistic, in term of good name branding; so much more than just a product itself so if you spend let say cost you 10% more to have a real quality product that 10% is the money well spend. The quality from China has been fantastic. Chinese manufacture is brilliant. We are now purely working with China. (q. B531-02)*

Like Respondent 2, an emphasis of price and quality had been extracted as a key cue by Respondents 4 to address his business relationships. Making sense to his past experience, Respondent 4 presented his strong sense of plausibility to the cue by citing his experience of changing suppliers, who failed to fulfil the quality and price commitments. Though the importance of price and quality were constantly extracted and used for their enactments by the majority of respondents as essential elements of a “good” business relationship, there were other concerns for entrepreneurs in constructing business relationships.

5.3.2. Trust or Distrust

The majority of British respondents could be deemed to hold a cautious attitude and a defensive stance to the new business partners. They saw the potential risk was significant to them as their businesses were small and with limited capital. Other British respondents expressed that they were aware of potential risks when doing business with new business partners. Nevertheless, they believed that contractual and the legal institutions could help them largely to avoid these problems or troubles.

***The researcher:** What are the difficulties in your business relationships?*

***Respondent 1:** I was cheated several times... simply just try to cheat you, not to provide you products after you send them the money... It is quite often (that) companies need 10 pieces of part, but they might say they need 10,000 pieces... so they cheat you for the free samples... Some suppliers insisted on getting as much information as possible and exploited your knowledge and then eventually, they just decided to work on their own, and the buyers were just the same.... You realise, oh god lost so much money... You hope that somebody is really good. For example he offered you a very good price and you get all the best from this price... then suddenly you can see that everything is wrong, either quality or on the document or something... Then that is frustrating, very frustrated... So simply just never trust them ... if somebody doesn't want to work with you do not work with him at all because he will cheat on you or you will be very miserable... you just thought that that was your experience, your lesson. It will teach you when you feel like something is not right... with the new customers and suppliers you can not trust them at all. (q. B532-01)*

In the statement above, Respondent 1 enacted an environment, where he was holding a distrustful and defensive stance and acted accordingly to new business partners, who he referred to as “strangers.” Here this entrepreneur elicited the process of how he established the rules and routines, given that “with the new customers or suppliers you can not trust them at all.” He built up the ethical stance and drew the plausibility by making sense of his past experience of series of failures in business transactions with new customers. He listed a number of issues, including low product quality, breach of contracts, using contract loopholes, non-fulfilment of contract obligation, cheating and abuse of trust. The damages to Respondent 1 caused by these issues were not only in terms of financial loss, but also emotional frustration – his need for achievement had been thwarted. The respondent was very sensitive to the financial loss and this is probably related to the small size of the business and limited capital. In so doing, a plausible story is assembled as well as portrayed of the learning and processed for becoming a knowledgeable entrepreneur. Such attempts reflected not only the acquisition of empirical knowledge through involvement in or exposure to the problematic business relationships – “that was your experience,” – it also reflected a sense-making process that the respondent understood, interpreted and responded to the complexity of ethical situations.

In a following statement, the respondent revealed that motivated by his plausible creation, he took a number of defensive and precautionous actions to new business partners including checking references, prepaying for goods or deposit, ceasing working with companies with a bad record, restriction on revealing product information, paying for samples and improving the application of contract. Such expressions reflect that for his own business interest, he was motivated to exert internal locus of control the relationships. The respondent added a number of occasions, where he had to rely on “intuitions” as businessman – “when you feel like something is not right”. However, this is not a common feature of British respondents’ sense-making in this issue. Respondent 1 and other British respondents revealed that trust and commitment could be achieved in a long-term relationship – “you have to simply build up trust and work only with the people who want to work with you.” We see something similar in the next statement from Respondent 8, who also held a cautious attitude towards new business partners.

The researcher: *What are the problems with new business partners?*

Respondent 8: *We try to be careful. We have only been going about a year and we got invited to a meeting with a client in London and it was actually an Australian company and a Canadian bank. We thought they were interested in our software but it turned out it was is the Australian company was developing similar software to us and the Canadian bank which found out by us and I was very worried that throw their money into this sort of company. But actually they didn't want to buy anything they just want to see what we were doing and see if they could recopy the idea. We have that experience very early on which is good for us because then it makes you aware and therefore if we have to engage to anybody we have to have what call a non disclosure agreement and therefore we make people sign. If you want to come and work with us we send you a non disclosure agreement where you sign it will protect you and me to say you will not disclose or recopy anything from us and we won't recopy if you talk to us about some idea. Mutual guarantee and therefore we treat everybody individual as you build us a relationship of course and then you can trust me and I can trust you. I will give more to you and you will give more to me because we trust each other. That take a while isn't it? (q. B532-02)*

This is another illustration of the ways respondents make sense of their past experience and formed guidelines for new business relationships. Both examples convey low tolerance of uncertainty of business relationships. Respectively, they sought to employ precautionary measures to protect themselves from dishonest or malicious infringement of new or potential business partners. In contrast to Respondent 7's reliance on his intuition, Respondent 8 extracted "cues" from contractual and legal institutions to construct the plausible story and drew legitimacy for his actions. This feature has been shared by most of British respondents. This respondent also used his past experience to add the persuasion of his argument – contracts maintained stable business relationships and protected him from infringements of others. In his words, upon contracts and legal institutions, mutual trust was developed and business relationships were carried out. In the next section, entrepreneurs' stances towards the legal perspectives in relation to business relationships will be detailed.

5.3.3. The Legal Perspective

All British respondents verbally enacted an environment, in which the law and legal institutions played an important role in clarifying obligations and rights, stabilising business relationships and avoiding disagreement and conflicts. They extracted cues from their observations that in the UK, contractual and legal institutions provided general framework for business transactions; any breach of contracts and the law was understood to bring in serious consequences. The majority of British respondents reported that motivated by this plausible construction, they constantly used contracts and legal institutions to maintain their business relationships – a measure of internal locus of control. Most British respondents expressed that they would refer to the contract and the law to resolve issues or problems of business relationships, while also claiming that they believed that the breach of contracts and law would bring in serious consequences they would not want to risk. They also expressed that they would consult the legal professionals for expertise so that they could solve issues “rightly”. However, the majority of the British respondents also mentioned that they would use the informal negotiation as the first step to resolve issues, considering the high cost of the application of the law and legal services. The following section begins by discussing the function and implication of contact and legal institutions and the ethical aspects for sense-making.

***The researcher:** What is your experience with contractual or legal issues?*

***Respondent 10:** Fortunately, I am not really having that sort of problems (customers’ complaints, unpaid debts, and breach of commitments)... I think the thing that you have to do to avoid problems is to make sure clients know what they are getting right from the start, and sit down and agree and get everything done in writing. It must be all quite clear, because they are issues with my business... You got a real sense that the contract is everything. You must have everything in writing. (q. B533-01)*

Respondent 10 attached great importance to contracts and legal institutions in maintaining her relationships with business partners. She was aware of negative effects of business relationships to the business and uses “fortunately” to express her emotional contentment in the measures taken to avoid occurrence of such relationships. The measures were also seen as so important that the respondent

thought they had to be followed by general business populations (generally referred “you”). The use of “have to” on the other hand indicates the ways, in which an environmental pressure of adopting these measures in building business relationships comes to the fore and is a taken-for-granted.

Here there is an established procedure for doing business which was approved by the daily business experience of the respondent. First, she clarified obligations and rights between her and her business partners. Then they began to discuss the detail of their business cooperation. After that, the development of business relationships required a shared and agreed understanding of the obligations and rights of each other. Finally, they have to sign a written contract and thus the agreement would have legal bonding on future business behaviours. The business relationships were thus secured and stabilised. She emphasised the terms of the contract must be clear, as she believed that “they are issues with my business”. “Issues” had two implications according to the context of description. Issues were understood as business interests, which would be affected by contract terms. In addition, “issues” were understood as potential problems caused by unclear contract terms. Respondent 10 extracted cues from contractual and legal institutions in developing business relationships. She took for granted that contracts were the main means in her cultural settings to maintain business relationships and avoid problems. She thus argued that it was the right thing to have a formal contract and put everything in writing.

The researcher: *What about the conflicts around contract terms?*

Respondent 6: *If the customers want us to change the contract, we then come back to the agreement and show them ‘this is what we said we are doing if you want to change it, this is what it will cost you to change it’. Most of the time we try to make them understand, and we make a clear contract, and we work through the contract, and therefore everybody is happy. Usually what happen is that if they ‘oh, I wanted to do this’ we said ‘yes, fine. If you want to do this it will cost you that’. And then they seem to be ok and they understand. (q. B533-02)*

By the above talking, Respondent 6 also enacted an environment where contracts were referred to settle the disagreements between business partners. He made sense of

his past experience in relation to a disagreement with one customer, who intended to modify the business relationships. He observed that the signed contract discouraged the business partner and protected his business interests. The respondent further cited a common business procedure – hence his perception of as business routines and rules. The words “most of time” showed the frequency of using such routines and rules in the respondent’s business relationships with his business partners. The frequency also demonstrated that the respondent valued the importance of the contract and took it for granted that the contract was of use in clarifying the obligations and rights which stabilise the relationships.

The taken-for-granted business routines were firstly to achieve an agreement on obligations and rights, as the respondent claimed to “make them understand”; second, the agreement was put down in a written contract, which should be specified in unambiguous terms; third, both of the parties respected and acted in compliance with the contract; finally, both of the parties achieved their purpose of building business relationships and thus everybody was “happy”. In addition, if any disagreement or argument occurred, the respondent would refer to contractual binding power to compel business partners in compliance with the agreed terms. The use of “usually” suggested referring contract to settle down disagreement was treated as taken-for-granted institutions. According to Respondent 6, his enactment was shared by both parties of business relationships, as when he referred to the contract, “they (the opposite party) seem to be ok and they understand.” Respondent 10 further used professional services of solicitors to ensure that the contract protected his interests.

The researcher: *how can you resolve the conflicts in your business relationships?*

Respondent 10: *I have used solicitor definitely where I wanted the contract for safety... because it is very important that person doesn't go and take my clients for example... So learning the law definitely make me see the warning area where I really do need a proper solicitor to do a proper contract for me. And I need to make sure I get that person to sign it. But also it (learning the law) has been good for me because it told me that going to solicitor when you got problems... It is kind of different dynamic... You put up war straight away, you are my enemy and stop saying “oh actually with clients and suppliers, let's try and find the best solution here”.* Solicitor

I think is very useful if those third parties if you have enough you haven't got time to deal with it, you got somebody who is very strong and capable, and can go in there and be an intermediate(q. B533-03).

Respondent 10 convey a relationship, in which he enthusiastically adopted strategies to assure her business relationships secure and her business interests well-protected, including using professional legal services of a solicitor and “learn the law” herself. The strategies were either precautionary, “see the warning area” and “do a proper contract”, or remedial, “going to solicitor when you got problems”. To further support or justify her proposition of using a solicitor and professional legal services, she used metaphors to describe the deteriorating relationships as a “war” between her and business partners, who were portrayed as “enemies” by the respondent. Thus, she built up plausibility for her argument that the expertise and capability of solicitors was of assistance to her to win the “war”. That is because solicitors were “strong and capable” in being an intermediate and settled the argument and disagreement with time-efficiency. However, the following statement of Respondent 10 also noticed and bracketed a cure regarding the high cost and much time, which constrained the use of legal means in a problematic business relationship.

The researcher: *What are your procedures to deal with business conflicts, the solicitor?*

Respondent 10: *That isn't always the first step and always I'm being diplomatic about things... I think I find that contracts are useful at a time when things really break down. But at the end of the day, you deal with people. And I think there is a lot of good money thrown to the solicitor. That doesn't need to be just because people don't know how to mediate or just negotiate... I know a friend one gentleman went to the court. It took 6 years and cost him much a fortune. He got more or less covered the cost and a bit extra, but for stress it cost. He got a heart attack and everything. And you see it impacts on your business, doesn't it? Because you have to do your business, you can't be thinking of all these problems... If you sit down with your client and talk things through, you often get a much better result and it cost you nothing. (q. B533-04)*

Respondent 10 enacted that the cost, effort and time encouraged the small business people to use informal procedures instead of contracts and legal actions to sort out issues. The cues that she particularly extracted focused on the legal cost, which according to her, were too much to afford for small businesses in terms of time, financial means, and stress to entrepreneurs. This respondent gave an example – an incident that she observed – to further supported her plausible creation. By counterpoising the cost, loss and gain, she assembled plausibility for her creation. It is interesting to note that by using words like “6 years”, “a fortune”, “heart attack”, “everything” and “stress” in contrast to “more or less covered the cost and a bit extra”, this respondent presented her sense of plausibility of her construction and attempted to convey it to the researcher.

British respondents shared an agreement that long-term relationships were conducive in increasing mutual understanding, building trust and commitment and stabilise business relationships. Some respondents admitted that long-term relationships instead of the contract and legal institutions helped them to maintain the business relationships and achieve their business interests. For example, Respondent 4 explicitly announced that “if you have a good relationship, a lot of times, contract is... just forgot about it.” This stance of British respondent and relevant sense-making will be explored in the next subsection.

5.3.4. Valued Long-term Business Relationships

All British respondents emphasised the importance of and benefits from long-term business relationships. According to them, long-term business relationships not only offered more stable and secured business connections, but also provided assistance in finding new opportunities, retaining business partners acquiring information, improving business management, increasing profits, reduced risks and overcoming business difficulties. The following statement of Respondent 2 was cited and reproduced as an example.

The researcher: How about your business relationships?

Respondent 2: I never have outstanding debts with them. If I were short of money, I would certainly pay them – the suppliers with goods. Sometimes, I have to go to them.

It is in a very difficult time. We got some houses built not sold. I went to suppliers and said we were just struggling. They said that was ok. I had three months credit on it. It was because I had good relationships with them for very long time. One of the traders, I had my very first account with. They are all very helpful. When you had an account with them, you could negotiate the price with them. You would tend to stay with the same ones. I did not go from one supplier to another. I would expect to get good price. I probably would say I needed a good price, and they would bring the price down for me. Then you just continue to trade. In fact, one of the merchants, I used to do all these works for him as well, his yard, his home and his show rooms... a long term relationship is very important and the trust can be developed during the process. So basically believe in each other. (q. B534-01)

Respondent 2 made sense of and unutilised his experience to build up the plausibility for his argument. The claim that “a long term relationship is very important” is based on the advantages that he observed from the constant interactions and stable relationships. These advantages are connected to efficiency considerations including temporary suspension of payments to the supplier when necessary and a continuous price reduction. The respondents expressed that the limited cash flow of the small business might caused him temporary financial issues. Long-term relationships were then of help to him in price negotiation and being loyal became the main theme of the relationships between him and his suppliers. It is worth noting the way he used language to assemble plausibility. He explained the meaning of “helpful” in terms of entitling him to negotiate product price with the suppliers. In particular, through the use of “when” and “could”, this respondents recognised an established rule and routine in the relationships with suppliers – in other words, a causal association between long-term relationships and the ways he qualified for negotiation. In addition, as we see here, long-term relationships enabled him to negotiate in ways which met his financial needs and the result of price negotiation conditioned the continuity of relationships, which led to further negotiation of financial terms. The expansion was emerged from and reflected a series of dynamic interaction between the respondent and his suppliers.

Respondent 2 draw on the “cues” of the reciprocity to account for his long-term relationships with the suppliers. He argued that as the result of his trustworthy business performance, he was justified to expect the suppliers to return him with trust and special treatment in repaying financial debts – “It was because I had good relationships with them for very long time.” Connected with the previous statement of the respondent, the “good relationships” laid particular stress on the respondent’s effort in maintaining business relationships with, and the process of, gaining the trust of the suppliers. This reflects a moderate sense of internal locus of control and self-efficacy of the respondent to direct business relationships to serve his business interests, since both parties of the relationships were depicted rather equal and mutual commitments were assigned with critical importance.

The description of the respondent regarding his relationships with suppliers was business-centred. The respondent built and developed mutual trust and commitment with his business partners (suppliers), which were valued in their functions in secure the certainty and stability of the respondents’ business interest. The trust and commitment were formed upon a series of business events and involved with continuous sense-making of the respondent. The valued long-term relationships were taken as a mean to serve business purpose and financial interest of the respondent, which determined the continuity of relationships - “you would tend to stay with the same ones” and “then you just continue to trade.”

Though many advantages of long-term relationships were mentioned by British respondents, most of them claimed that they generally avoid developing business relationships into personal friendships. As a result of numerous business interactions, mutual trust, commitment and in-depth knowledge of each other were developed during their long-term relationships with their suppliers or customers. However, the majority of respondents enacted an environment, where it was not necessary to develop personal relationships to carry out business interactions. Such enactment was important to them because by doing so, they could maintain their internal locus of control and self-efficacy in develop business relationships towards his business interests. Four respondents further indicated that personalised relations and emotional connections affected the objectivity and fairness of business routines and thus harmed

to their business interests. They thus suggested keeping the relationships at business level. The following statement from Respondent 6 indicates the nature of this and the ways he made sense or reasoned this out.

The researcher: *How are your relationships with your business partners?*

Respondent 6: *Keeping in contact is the big thing. You need getting to know them (business partners). I do not just know their business, but knowing them as a person, knowing about their family, (and) knowing about their things (personal) ... But it is also important (that) you got to keep that separation between a business partner and then being a friend. Always remember that they are also a business partner, because if you are working with them, and something goes wrong, they don't do what they suppose to do... We had very good relationships with suppliers... some of providers want wasn't what I hoping for. They were late on the delivery as well... Because I build quite good relationships... if that too much we are friend, you can't turn around and say 'you are not done this. Why haven't you done this? Get on with it. You got to get this completed... So if you are too close to them, you will feel quite hard... very difficult to deal the business... You got to keep certain level of distance. (q. B534-02)*

Respondent 6 conveyed a world, in which the separation of business from personal relationships was “also important” as knowing business partners in building sustainable business relationships. He plausibly reasoned why he constructed his identity a business partner rather than a friend in the business relationships. He extracted cues from his observation that the close personal relationships endangered the normal business routines and prevented honest and straight communication with his business partners, particularly when those “wrong doings” by the suppliers occurred. The respondent reported an ethical dilemma: he emotionally “feels quite hard” as he thought it was not right to use tough words to push suppliers who are also friends to work even when that was what the respondent thought he was supposed to do. The plausible enactment of separation of business relationships from personal relationships was retained as he believed that he “got to keep certain level of distance.” His enactment seemed more reasonable, when in a following statement, he gave an example, where the friendship had been taken advantage of by a supplier.

***The researcher:** Can you give me some detail of the disadvantages of personalised business relationships?*

***Respondent 6:** Also the fact is if you have too close relationships and you are too friendly with the other company then sometime they have a tendency to take advantage of that. If they have two projects that two projects both need time spending on them. They would probably think 'right we can spend a little bit less time on me because I won't mind if they are so late... That is the other thing of taking advantage because we have got a good relationship with him, he used that. We asked him for payment and he said 'I get that. I will sort it out for you'. Because we had a good relationship with him, we didn't feel that we need to chase him like we would with other client. He used that as his advantage ... So these things happen. You live and learn... So sometime keep it at a level and separation. (q. B534-03)*

Here, then, he reported the two critical events which now seemed to shape his dealing with current and future suppliers – he enacted environment and uses these events as “cues” to assemble a plausible story. In the first event, he received with unfair and unequal treatment from the supplier to him because of their close personal relationships. In the second event, the supplier delayed payment. He conveyed a hierarchy of interests where business partners and personal relationships should not violate business interest. There is a sense here that close relationships encouraged unethical behaviours on the part of business partners and this which violated normal business relationships. So through a separation of business relationships and personalised relationships, he enacted an environment and this was able to prevent business relationships developed in a way harming his business interests.

In the above two sections, this study has presented the findings and offered a series of illustration quotes investigating business ethics in entrepreneurial employment and business relationships. The next section continues to examine the ethical perspectives in entrepreneurs' relationships, this time with government.

5.4. Government-business Relationships

This section discusses the entrepreneurs' perception, ethics and values of their relationships with British government and their actions in forming such relationships.

5.4.1. Unattached Status from the Government

All British respondents reported that government did not intervene in their business lives. They took for granted that their business was not the subjects of direct intervention from the government and thus there were no substantial relationships between them. This contrasts significantly with the Chinese entrepreneurs as we shall see in the next section.

The researchers: What is the influence or control of the government on your business?

Respondent 4: No, we do not have any relationships. The government doesn't control the business here at all...They can probably provide some support but they certainly don't control. They certainly don't develop in that way... We don't have problems. We don't have any fear from the government and many things have been very supportive. (q. B541-01)

Respondent 4 observed a structural characteristic that the business was unattached from the direct intervention or control of the government and extracted it as a cue into his sense-making of government-business relationships. The taken-for-granted nature of unattached status of the business was conveyed through his uses of “certainly” twice to describe the established business institutions, but also through the repeated emphasis of “don’t”. In addition, the respondent claimed that he had no fear of the government. He constructed his identity as an independent and autonomous business person. He expressed nothing in relation to direct power relationships between the business and the government – as the respondent observed that “the government doesn’t control the business here at all” – and saw the government as supportive.

While not directly involved with individual business, the government does use various leverages to carry out macro-control and thus direct of economic life in order to maintain balance of the total economy, curb inflation, promote major economic structural optimisation and achieve stable economic growth. These leverages included economic, legal, and administrative means. Hence, all respondents mentioned more than one of these aspects, which had significant influence on their business particularly in terms of taxation and law, as reflected in the statement of Respondent 2.

The researcher: *What is the role of government in small businesses?*

Respondent 2: *I think it is better now really. There are a lot of changes of regulations. I was always a member of federation of the master builders. So it is up to you sort of to make sure other builders were doing the right. Not much you can do about it. But at least you can bring it up. If the customer has been badly treated, the society would go to sort it out to make sure that it has been done correctly. Sometimes when all the good builders were very busy, the others were not very good. They came in and asked for big sum of money to do a very poor job. (q. B541-02)*

Here, the main role of government involved with small businesses was described through regulations. Respondents 2 made sense of the role of government by referring to his experience. The respondent reflected that there were “a lot of changes of regulations”, which denotes an ongoing nature of the sense-making of this respondent. He enacted an environment, where the government was described as “good”, since they set up public organisations and maintained quality standards in the industry. His experience was used to build up the plausibility of the argument that government should play an active role to promote “correct business practices” and prevent the growth of bad ones. In his opinion, the involvement of public organisation in the industry section was a proof that government had paid attention to small businesses and assisted to create a business environment. By this expression, the respondent constructed his identity as an evaluator the government as well as an honest business man with high standard of professional virtue.

The researcher: *What is the role of government in your business?*

Respondent 8: *The government doesn't get involved in the business really. The best the government can do is to create the right environment to make your success and if you get too many taxation. People will say why (you) do it? It is no point. How much am I going to work for somebody? Why do I need all the taxes and then you explain any entrepreneurs are going to have a lot of hard work a lot of hassle. So why (do you) do it ... (q. B541-03)*

Like Respondent 4, Respondent 8 reflected that there was no direct relationship between the government and his business. However, he enacted an environment, in

which the government played a supportive role by influencing business environment, where new small businesses are located. Motivated by this plausible creation, this respondent gave particular attention to the taxation and the ways that government could provide more motivations to encourage entrepreneurship. Similar to Respondent 4 and 8, Most of the respondents confirmed that the government was being supportive to their businesses, though two of them stated the government should do more for new small businesses. This is detailed in the following subsection.

5.4.2. Supportive Role of the Government

All British respondents took for granted the supportive role of the government and reported that they had received supports from government in terms of special policy, information, tax reduction, and legal services. The majority of British respondents commented positively on the role of the British government and public organisations in providing assistance to encourage entrepreneurship and development of small business.

The researcher: What do you think of your relationships with government?

Respondent 10: I think government should support small businesses... indeed they are quite helpful...

The researcher: Can you give me some examples of government supports?

Respondent 10: I think the chamber of commerce are very good, because especially at the earlier stage, a lot of people developing the new businesses were not sure where the landlines are legally, and you are not sure who you are dealing with. The chamber of commerce really want you to remember... We have standards. If we were a member, we don't want people to say we were bad and we were useless... They give you credibility and if I want a supplier I found one at chamber of commerce then that give me a face of that person is....They are very supportive and then you get a lot of benefits through being a member. You do get some legal cover and so on... (q. B542-01)

Respondent 10 plausibly argued that governments should support small businesses. She extracted cues by her observing how small businesses received assistance from a government department – the chamber of commerce and hence built up plausibility

for her argument. She further extracted the “cues” that entrepreneurs lacked of resources or knowledge regarding business procedures, legal rules, and marketing information and needed help, particularly those from the government. After retrieving her own experience, the respondent commented that “the chamber of commerce are very good” and government departments “are very supportive”. This respondent constructed her identity as businessperson, who was at the earlier state of the business and urgently needed help from the government.

It is interesting to notice that apart from the substantial benefits received from the chamber of commerce, the respondent also mentioned that attending the governmental programmes and being a member of the public organisation provided emotional motivation and encouragement for ethical business behaviours, as Respondent 10 claimed that “we have standards. If we were a member, we don’t want people to say we were bad and we were useless.” This reflection is also echoed in the statement of Respondent 2 (see q. B541-02). As a result, the respondent assumed that the credibility of the potential suppliers was secured by the membership of the public organisations and thus enthusiastic to build relationships with them.

According to British respondents, entrepreneurs’ perception of government-business relationship was in a dynamic changing process. Respondent 7 considered that the government was more helpful and supportive to his business than before.

The researcher: *what do you think of the government support?*

Respondent 7: *I think it is much more supportive than it used to be. The question is always about taxes and about the access to the financial services. As far as tax is a concern, the position is a lot better than it used to be. It used to be a high rate of tax on businesses based on self-employment and also corporations. So the small limited companies had to pay for corporation tax and that was quite high... But often there would be benefit in terms of... if you employ people in an area of unemployment then you might get a rebate from the government for their pay. If you train the people, you can get a rebate for to pay for some of that training. They would let it gone... (q. B542-02)*

Respondent 7 reported an increasingly supportive role of the government in their relationships. The respondent's statement showed his reluctance to accept an old corporation tax rate, which had been perceived "was quite high" for small business and thus had an image that the government was less supportive at that time. The respondent argued that it was not fair for the small businesses to pay high corporate tax. Although the supportive role of government in government-business relationships had been noted by all respondents, 4 out of 15 respondents still argued that the government could be more supportive to their business, as Respondent 6 illustrates.

The researcher: *What kind of supports you get from the government?*

Respondent 6: *There is no support for small businesses. The nearest things that we got support from the government, a local council. They had some grant available, which we took advantage of when we first started, but it was a small grant. It was only 750 pounds. So we used that. The government gives money here for running the business link. Now we are a member of those and use them quite a bit. Are these really some supports? We had more advice supports and still it is one small grant... I mean from my point of view, I started this business, and so all the money I got came back into the business. Sort of keep it going and build it up. There are not benefits or tax relief for me for sort of start doing new business. Sometime I thought that would be very useful if because I started doing the new business, for example my council tax had a reduction of 10% of them, or just something to help the new business people, who got the overhead of the business, substantial expenses on business partners, and wages; some sort of support for them to help them get out of initial stages so they don't bankrupt themselves personally and try to keep business going. (q. B542-03)*

Respondent 6 enacted that "the right thing" for the government to do is to provide more support for new small businesses. He assembled plausibility by giving the difficulties faced by the new small businesses, particularly in terms of financial strains. This respondent as well as others took for granted that the government should understand the needs of the small businesses and helped new small businesses in this cultural setting. The extracted "cue" was that the government was obligated to promote entrepreneurship and help new small businesses to survive and develop. By making sense of the interactions between the government and themselves, this

respondent as well as others constructed their identities as independent commercial actors with urgent needs of help. The taken-for-granted properties of the supportive role of government were consolidated by cited experience of the respondents. For example, Respondent 6 admitted that he received a series of supports from government. The support included a financial grant of 750 pounds, the use of public funded business services – business link, and free business consultation.

This respondent, however, strongly questioned the adequacy of assistance provided by the government. As the entrepreneurs who started a new business, the respondent admitted that he had serious financial strain from tax, business management cost, wages and marketing cost. He suggested that the government should understand the difficulties of new and small business, particularly in terms of finance and thus increase their support accordingly. The respondent argued that the government should provide substantial assistance for ensuring the survival at the business and so reduce the failure rate of new business. Two respondents also complained that the government did not understand small businesses and legislate without considering its effect on various types of business.

***The researcher:** Can you give some detail in the government's influence on your business?*

***Respondent 8:** If they create the employment law for example let take the situation about the maternity leave they have time off for 6 months and then they can come back part time and in a way that got to be right. But the impact to the company trying to lose the key member staff for 6 months, it is really very dangerous. And therefore if you are not careful, women are pushing for their human rights. But then the employees will say their right to take on a woman age between 18 and 40. If you are a big business like the university, you can carry on with that. There is enough staff there are enough spare back but the small company if you get 3-4 employees that you could lose. You have to work with it but there will be the tendency to discriminate not to employ a woman in that job even a woman is excellent ... But we haven't done that but they have a temptation to do that. We have employees leave for 6 months already. It is not really fair to stay with the company... Because the job that she did was so specialist nobody can take it. So we have to take it so now we are having three jobs*

before 4 jobs and until they come back. I don't know the answer now because I would quite mean to say that we shouldn't protect women in that role. It is just a difficult work for a small company. It is a real world isn't it? (q. B542-04)

Here is in an ethical dilemma: to abide by the law regarding maternity leave versus meeting his need for business growth. The respondent argued that as small businesses, the multi-tasks and limited resources make it very difficult to afford the loss due to the maternity leave of the employees. Though, the respondent denied the existence of discrimination of young female employment, he admitted that there was a temptation to do so. He verbally expressed that he understood the rationales of the law and respected the human rights but that this conflicts with the business interest. He did not have a clear guideline and had to bear with the ambiguity. This respondent as well as other respondents reported that they had limited power and thus expressed less sense of internal locus of control and self-efficacy when dealing with the government.

5.4.3. Abiding by the Law

The majority of British respondents verbally enacted an environment where the law and regulations were of a binding power upon them and their business behaviours. These stances of respecting the law and legal institutions were much less frequently reflected by Chinese respondents, who generally had a taken-for-granted view that government was the law maker and thus above the law. British respondents, in contrast, took for granted that the legal and political institutions were binding and that they must abide by the law, even though they perceived the law or policy was not “fair” to them.

The researcher: *What do you do to deal with the legal perspectives?*

Respondent 8: *There is no point in fighting what you can't change. That is my view. We have to work out of what we have to work with. I don't question that. It just says 'well, that was really how the tax is. It would be better 19% rather than 22% income tax but I'm not going to change that. I do vote, but to be honest when you vote in this country, it is a lot of reverse, the whole things (you won't get what you want). I see no point spending any time worrying or thinking about it. I'm changing to work on the things that I can, that make the business successful and growing the business and*

managing the staff... I see no point. I can't do things about employment law or VAT. You can only adapt to it. (q. B543-01)

Respondent 8 conveyed a context, in which entrepreneurs should adapt to the established political and legal institutional environments rather than challenging them, as this was a “fighting what you can't change.” He extracted cues from the disproportionate power possession between the government as the legislator and him (himself) as the bound. The government was described as a powerful social entity with significant influences on entrepreneurs and their businesses. These influences could not be changed by small businesses, which were too small and with limited political resources. By weaving these cues into the construction of the plausible story, this respondent built up plausibility for his argument. This statement again showed a low sense of internal locus of control and self-efficacy since this respondent possessed limited power against the government. Though all British respondents took for granted that the law and legal institutions had a binding power on them, one respondent admitted that he would ignore the law to achievement his goal. This expression, however, is not a common feature of the sense-making of British respondents

The researcher: *Can you give me some examples of your relationships with the government.*

Respondent 2: *... In the early days, it (tax rate) is terrible really, because it did not give any encouragement to the trade. There is one time, after a certain amount, you were paying eighty or ninety percent in a pound as tax. So it was not worth to do extra work. So people thought of ways to get away from tax. At that moment, there was no VAT on new houses, new development. But there was on renovation and repair. You can get 17.5 percent deal to use you materials and the workmen to do the renovation. You just went to build a new one, because the government gave you the money back on the new. But I think we should do something about that side a bit. It means it make it much cheaper to knock something down that might be of quite possible to renovate and quite nice. But it was more profitable to knock it down and built a new one.*

The tax is too high and terrible in this trade... By doing this, they make more other people to do cash... Nowadays, there is not much cash because everybody accounts for their liquidity, the VAT and they got balance book. In the early days, everybody dealt in cash. Now it is too tight for the paper work. There is no way to run away from tax. You can only get cash if you clean somebody's garden. It changes completely now. Another way is they can build house for themselves, leave it for a period time then sell it. That is not taxable. If somebody did it on the regular basis, they built a house two years ago then did it again and kept doing the same. The taxman will look at the computer and trace it back. They will say you doing this to violate the tax. They will come to have a meeting. They will negotiate with you and say "what you do is on too regular basis, you do it all the time". Some people do fail the regular basis... If you are clever enough, you can work with the system. (q. B543-02)

Respondent 2 attempted to rationalise his behaviours of tax avoidance and evasion. To build up the plausibility, he indicated the "unreasonableness" of the tax system and the legitimacy of his reactive strategy – tax avoidance and tax evasion. Here, he emphasised that a high tax rate encouraged business people to engage in legal (tax) avoidance and illegal (tax) evasion. It is notable that this respondent did not deny that these behaviours were ethically debatable. Indeed, his statement shows that he was in the dilemma of doing "right" things vs. doing "reasonable" things – here, renovating old nice houses and paying full tax vs. knocking down old houses and building new ones with tax benefits. The cue he extracted was that business people should skilfully manage their business for the sake of business growth and profits, even though that meant doing so would breach the law. He further built up the plausibility by arguing that the tax system was unfair to his business. Motivated by his plausible creation, he thus appealed to "self-helping" measures to defend his own interest, and thus regain "fairness". By this causal connection, this respondent argued that his behaviours were legitimate. As he stated "[i]f you are clever enough, you can work with the system", he constructed his identity as skilful and intelligent entrepreneurs who was capable of managing the disadvantaged environments for the best of his interests. However, he acknowledged that such enactments were frustrated by the increasingly strict and comprehensive the legal system. It is noticeable that he mentioned that tax officials would contact them to make sure the things had been done in the right way. In his

opinion, public officials have their duties and the authority to see whether the small businesses worked within the line of legal boundaries.

The researcher: Can you give an example regarding your relationships with the officials?

Respondent 6: We had a gentleman come from the tax office. He came about a few years ago to look at our accounts and everything and he gave us some very good ideas because years ago when the tax man used to come out for businesses it was always views that he was there to try to catch out, find many problems or anything and it was fear I think...but when he first came out he came and sat down he said 'right first thing I'm not here to catch you out. I want to see if there anything I can do for you, see how thing is going for you, and find any way that we can help and he came with some very good ideas... He actually save some money for our client because something that we use to do we don't need to do so we pass that saving on so yes he did save it. He was very helpful. (q. B543-03)

Citing his past experience, Respondent 6 builds up the plausibility for his argument – the officials were helpful and the relationships between government officials and his business were conducted according to the laws and administrative procedures. According to the way this respondent making sense, the latter argument was taken for granted and with strong plausibility to him, while the former one was kind of surprise as he still had a clear memory of the critical incidents even after a few years. Like this respondent, all other British respondents verbally convey an environment where officials adhered to the rules and carried out their duties. Their descriptions of their relationships with officials suggested that the objective of officials in their interactions was to make sure the entrepreneurs work within the legal boundaries. Most of British respondents described the officials as helpful and friendly.

5.5. Conclusion

This chapter presented findings regarding entrepreneurial business ethics in the UK. Main themes were emerged from the analysis of interview data where respondent reported the nature of their interactions with their main stakeholders, namely employees, suppliers, customers and government. A number of ethical issues were identified and

the analysis focused on respondents' sense-making in addressing these issues. The way in which British respondents made sense of these issues shows that they shared common templates on the relationships with these main stakeholders. This made the sense-making an easy job. The emerged common features in the process demonstrate the institutional environments where the respondents are located are more straightforward, and less complex and contradictive in contrast to Chinese ones (see more details in Chapter 6). Among environmental forces, contractual and legal institutions play an important role in British respondents' activities of extracting cues and constructing plausible stories. The entrepreneurs' characteristic of need for achievement, locus of control and self-efficacy had significant influences on British respondents' making sense of their ethical situations and issues. However, their sense of them decreased in their reports as decreasing power possessed by them in their relationships with employees, customers, suppliers and the government.

In the employment relationships, motivated by profits and business growth, British respondents engaged into building and developing their employment relationships. They emphasised their management activities including supervising, monitoring, directing and dismissing to oblige employees to serve their business purposes. By doing this, they had a tendency to make the organisation a place of autocracy. On the other hand, British respondents also reported the use of motivation skills to encourage work from employees and showed a propensity of benevolence. The political democratic equality and legal protection of employees provides an account of the management style of the respondents as employers.

In business relationships, British respondents tended to focus on the efficiency considerations of quality and price to build relationships with suppliers and customers. However, they showed a level of distrust of new business partners. They expressed that this was not a major issue as they largely relied on the contracts and legal institutions to maintain business relationships, to clarify business obligations and rights, and to resolve conflicts. British respondents also revealed that their values of long-term business relationships, which was identified as mainly staying at business terrain rather than personal domain.

In the government-business relationships, British respondents described themselves as unattached from the government. They, however, proposed that government should support small businesses in their relationships. In addition, British respondents expressed that they adhered to the law and regulations, even though they complained that the legislator did not understand small businesses. British respondents reflected that public officials were helpful in their efforts to adhere to the law and there were no apparent power distance between them. The findings in the analysis of the British sample were fruitful and insightful. In the next chapter, this study discusses the analysis of the Chinese samples in order to gain further insights on the topics of entrepreneurial business ethics in the cross-cultural contexts.

Chapter 6 Business Ethics and Entrepreneurship in China

This chapter presents the entrepreneurial ethical stances and the ways Chinese entrepreneurs understand, interpret and respond to ethical issues. This chapter begins with a brief summary of the ethical issues identified. In the rest sections of this chapter, the role of Chinese entrepreneurs in these ethical issues will be presented by referring to the analysis of their relationships with main stakeholders of entrepreneurs' business, namely employees, business partners and government.

6.1. Ethical Issues Related to Entrepreneurship

Through the data analysis of the twenty-one interviews with Chinese entrepreneurs and an intensive review of relevant literature, a considerable number of ethical issues were identified and are listed below, categorised by entrepreneurs' relationships with critical stakeholders.

First, in the employment relationships, the topic or issues, which evoked the ethical terrain, were: entrepreneurs asked employees to work long hours, provided low payment for overtime, and offered less holidays and benefits. There were also issues of entrepreneurs' disregarding employees' interests; sacrificing employees' interest for their own; demanding excessive workloads from employees; coercing employees to comply; imposing strict requirements on employees; disrespecting employees' opinions; dismissing employees who they felt unsatisfied with; absence of written employment contracts; infringing employees' legitimate rights, including unfair dismissal; and a low level of awareness of legal regulations. In addition, entrepreneurs were also involved in the issues of absence of social insurance for employees; paying lower than legally required; asking for the service of employees for non-work related matters; intervening employees' private matters; using informal procedures to deal with conflicts; disrespecting employment contracts; and non-adhering to employment regulations. According to Chinese respondents, employees raised issues in terms of absenteeism, abusing the use of corporation property, theft, sabotage and corruption.

In the business relationships, there were issues of conflicts in relation to quality, price, correctness of information, terms of contract; issues concerning honesty, fairness and integrity of business partners; distrust and suspicion of business partners; and issues regarding low product quality, unfair prices, breach of contract, using contract loopholes, false promises, non-fulfilment of contract obligation, cheating and delayed payment, disrespecting contracts, failing to meet customer's expectation, no quality guarantees, no or delay after services, malicious debt informal procedures to deal with conflicts, and low level of awareness of legal regulations. In addition, kickbacks, gift giving, business banquets, faked brand name products, false advertising, and lack of legal protection, and not adhering legal regulations were also discussed from the detailed analysis.

In government-business relationships, there were issues of unfair treatment from the government, entrepreneurs' indifference in involving with the government, tax evasion, and low level of awareness of legal regulations. In addition, government's unjustified infringement of business interests, lack of openness and transparency in public procurement, jobbery, kickback, gift giving, banquets, bribery, tax cheating and evasion, remaining silent or appealing to informal procedures to deal with conflicts, and non-adhering to legal regulations were also reported. In the following sections, illustrations of entrepreneur's sense-making process regarding these issues and the ways ethics enters their sense-making efforts are outlined and discussed. Chapter 7 will then compare the UK and Chinese findings.

6.2. Employment Relationships

Chinese entrepreneurs are creating and developing their relationships with their employees in a fast changing environment, where a variety of environmental forces coexist – economic, political, cultural, and social institutions are in flux. These forces are either supportive, or in conflict with each other. The following sections will detail under a shifting environment, Chinese entrepreneur's ethical stances and the nature of the sense-making process regarding the issues mentioned in Section 6.1.

6.2.1. The Purpose of Employment Relationship

Given the Chinese respondents' need for achievement, one bedrock for them to do so was to build up employment relationships. The importance of employees is more clearly voiced as connected to their skill and capacity to contribute to profits and business growth. This means that the respondents spent much of their time and effort continuously directing employment relationships to serve their business interests. Such stances were strengthened by the respondents' expression in relation to the small size of their organisations. The majority of respondents also tended to take for granted that it was a fair exchange between the wage they paid and the work of the employees. The Chinese respondents also conveyed an identity as the business owner-manager based on hierarchy between them and their employees. Indeed, they highlighted the importance of power to give orders and establish rules. Meanwhile, employees were portrayed as "subordinates" and were expected to be loyal and obedient to entrepreneurs: following their demands, and carrying out their decisions. The analysis highlights that the respondents' standard of "good" employees and their emphases on employees' obedience further illustrates the existence of a large power distance.

***The researcher:** What are your relationships with your employees?*

***Respondent 3:** Employ and employed, of course. They work for me and get paid... The purpose to hire employees is to make the best use of their potentials and contribute to the business. That is quite common sense. We won't hire anyone without any ability to create values. We won't push the people with ability away... I have seen some text books of management. They always say employees are the most important assets of the company. So you have to pay for the asset and think about how to use the asset. What we need to do and think is how to keep them and exert their potential, make maximum profits...*

***The researcher:** How is the role of profits in the employment relationship?*

***Respondent 3:** Very fundamental. If we can not get money we can not survive. So we have to find the people with the skill and ability to contribute to the business growth. That is important to them (the employees) as well. The more they sell the more money they get... If people can not make money... you know we are not state-owned enterprise and do not have money for uncompetitive persons. I have to fire them. (q. C621-01)*

Motivated by profits and business growth, Respondent 3's made sense of employment relationships and enacted an environment where the instrumental use of employees was emphasised. In contrast to the British respondents, what is significant here is that Respondent 3 openly and assertively declared the employees to be a means to an end. He assigned fundamental importance to efficiency considerations in building and developing employment relationships. He extracted a cue that as a return for wages, the employees should follow his lead and contribute to his business. By arguing that this cue had been taken for granted as "a common sense", he assembled plausibility for his enactment and gained legitimacy to engage in the employment relationships with such beliefs. In addition, the small size of business and limited capital also added the emphasis of importance of employees for a profitable business, as the respondent stated that if "we can not get money we can not survive." It is, as we know, an expected and plausible account.

Respondent 3 further strengthened his enactment by arguing that he followed the Western employment practices listed in the management text books. Western business ideology and practices were of considerable plausibility to the respondent. The core extracted cue was the efficiency consideration comprising cost and profits derived from employment relationships. He also compared his business with state-owned enterprise and emphasised the difference of employment practices in these two types of businesses. He emphasised that the environment for private business meant that employees had to be efficient to contribute to the business. Based on the above reasons, Respondent 3 rationalised his reasoning around managing employees in terms of profits and business growth. Like Respondent 3, Respondent 12 emphasised this but also argued that power distance and hierarchy were necessary to oblige employees to serve to the best of his business, as reflected in the following statement.

The researcher: *What do you think of employment relationships?*

Respondent 12: *It is very important. You need good employees to work under you lead and assist you to develop the business.*

The researcher: *How do you define a good employee?*

Respondent 12: *A good employee has to stand by my side and thinks of the needs of the business all the time. They are supposed to take the business as their own and*

contribute to the business. When the business needs them, they must prove their value... They should listen to me. After all it is my business. I am the boss. If I work for them, I will listen to them...

The researcher: *why do you believe that employees should listen to you?*

Respondent 12: *My business is not big. If my salesmen do not sell very well this month, I can not carry on subsequent productions. If my factory men do not produce good quality staff, people will complain and I will be in trouble. If my accountant sick, I have no idea where the account book is and how to manage the money. So you see, as an entrepreneur, you have to know how to lead the people, how to manage the relationships, how to attract intelligent people to stay with you, and how to lead them in the right direction ... if you can not, you are failing your business... (q. C621-02)*

Respondent 12 addressed employment relationship from both sides of entrepreneurs and their employees. He begins by generalising the ideal or good employee. Like Respondent 3, he assigned great importance to employees in meeting his need for achievement. To direct them, he elicited two conditions, or two cues which he drew from Chinese cultural institutions: the first one is concerned with collectivist values, where the employees were expected to take themselves as a member of the organisation and have a strong sense of responsibility. Furthermore he also emphasised the importance of obedience of employees to his lead. He took for granted that his owner-manager status provided him the power and authority to give orders as “boss.” The second condition was the capability of owner managers. The significance of fulfilling these tasks to all Chinese respondents was overwhelming since “if you can not, you are failing your business.” Notably, the analysis suggests that Chinese respondents had a stronger sense of inner locus control of and self-efficacy in managing employment relationships to serve their needs for achievement. They rationalised their actions in directing the employment relationship, as we see next.

6.2.2. Managing Employees

Chinese respondents emphasised the importance of their employees and engage into the managerial activities because of employees’ instrumental use in making profits and contributing to business growth. By doing so, they show a strong sense of internal

locus of control and self-efficacy to manage employees to serve their business purposes.

The researcher: *Give me some examples of your relationships with employees?*

Respondent 1: *She (one of the employees) was a bit slow. At the beginning, she was awkward in sales. She did not know how to communicate with customers. Sometimes, I really got angry with her. I criticised her couple of times. Her sales were terrible... The salary was decided by sales. She felt bad as well and cried ... I had to teach her myself how to sell products hand by hand... Now she is much better... All customers she got are “golden customers”... She is much more important to the company now... (q. C622-01)*

Here, Respondent 1 enacted an environment, where profits were matched to employees and employment relationships. Motivated by this plausible creation, he engaged in a relationship and commented negatively when one employee’s performance was not good – “a bit slow”, “awkward” and “did not know how to communicate with customers”. Again, these negative comments show that Respondent 7 was centred on her business interests and the employees was treated as a means to an end with less respect to them as independent human being – i.e. these comments were derived from the expressed fact that “her sales were terrible”. This is more salient when contrasting these comments with her later positive comments on the employees – “much more important to the company” since “[a]ll customers she got are “golden customers”. In contrast to British respondents, this respondent as well as other Chinese respondents was more open to propound the importance of their business interests in interacting with the employees. This underlies a stronger taken-for-granted assumption: employees shall work for the cause of entrepreneurs and contribute to profits and business growth.

It is notable that Respondent 7 reported the use of a combination of methods to promote the working efficiency of the employee: a strict method – “criticised her couple of times” until she cried; a soft method – “teach her myself how to sell products hand by hand”. The way she talked about these two methods suggests that she constructed two roles of entrepreneurs in employment relationships: the first role

was “boss”, possessing power and authority upon their employees; and that entrepreneurs were entitled to give orders to and even pressurise their employees for entrepreneurs’ causes. The other one was that entrepreneurs should take on a parental role to help their employees to “fit” into the organisation. For Respondent 7, both of methods and entrepreneurs’ roles used were plausible and compatible: her statement does not reflect any conflicts between them. As a result, the two constructed identities – a powerful “boss” as well as a “parent-like” senior constituted two compatible facets of her image of entrepreneurs in the cultural setting and informed her ethical stances toward her employees.

Other 20 Chinese respondents also revealed that being entrepreneurs required authority and power to lead and manage employees. They argued that this power and authority role was crucial component of a good leadership as well as essential means for employee management.

***The researcher:** How can you manage the employees so that they serve the business purpose?*

***Respondent 20:** Every month I will meet all my employees and listen to them and their working plans. And in the next meeting, I will talk with them again to see how their works going. If they did not work well, I want to know why? My business is not that big. If I can not make them work efficiently, my business will suffer and I will suffer. That is part of my job, to push people work. I set up the minimum amount of sale, if they could not reach it, there would be no bonus for them. If this situation continues for more than three months, I have to deduct their wages or just let them go, because they prove that they were not that competitive... everyone in the organisation has to contribute... what I need to do is to ensure that everyone is working efficiently and productively... (q. C622-02)*

Respondent 20 outlined the main role of being an entrepreneur is to evaluate and push the employees to work. He enacted an environment, where he enthusiastically took actions to promote employees’ contributions and hence showed a low tolerance of uncertainty in this perspective of employment relationships. He was eager to control and showed strong sense of self-efficacy. The way he described his efforts in setting

up two routines to increase employees' performance shows that to him, his creation was plausible and motivated him to engage in further actions. This respondent constructed his identity with considerate power since he described him in a position, which enabled him to evaluate, criticise and push employees' work, and decide their wage ranges.

He explains that his extraction of "cues" regarding powerful and authoritative entrepreneurs was because the small size of his business and the financial implications of employees' work, which are significant for the survival and development of the business. The descriptions of employment relationships shows that Respondent 20 was in much stronger and more leading positions against their employees in contrast to British respondents. This had been taken-for-granted by this respondent since he is more open to talk about his experience to push employees to maximise their work output. This take-for-granted stance was also shared by the majority of Chinese respondents. As a result, these Chinese respondents more explicitly and publicly admitted than their British peers that supervising and monitoring were constantly used in their organisations in order to maintain employees' working efficiency.

The researcher: *How can you let employees contribute to the business?*

Respondent 12: *It is difficult, very difficult. My last business ended terribly. It was mainly because of the fault of my employees. They were irresponsible. They did not work efficiently. I had to tell them all the time what were their responsibilities and how to do them. Sometimes, even I could not figure out who was the boss, and who were the employees. I had to do everything on my own. I had to keep an eye on them all the time. If I left just a minute, they would stop working... Honestly I thought that was a social phenomenon. People did not adapt to the role assigned to them by the free marketing economy. So you must be very determined to work as an entrepreneur... You have to keep your eyes on the people all the time and make sure people are working. The employees only care about their own benefits, take their money and nothing else. Business is yours, and it is your responsibility to make sure employees to work for your business (q. C622-03).*

There were contradictions in this statement of Respondent 12. That is, which reason led to the failure of his previous business: the employees' reluctant working attitude, or his failure of being an entrepreneur. On the one hand, he criticised and blamed the unenthusiastic and irresponsible working attitude as the main reason of his business failure. Following the vein of this argument, he noticed and bracketed "cues" from a template influenced by the ideology of capitalism and marketing economy in relation to employment relationships – that is employees should work efficiently, enthusiastically and responsibly. On the other hand, Respondent 12 plausibly accounted that it was a structural characteristic of the negative working attitude among employees. He drew "cues" from the historical dimensions – people got used to the "old" patterns of working relationships and thus did not "fit in" to the employment relationships under the conditions of marketing economy. In addition, he further added to his argument by extracting cues from individualist values – "The employees only care about their own benefits, take their money and nothing else". Reconciling the contradictions, Respondent 12 reconstructed his identity as an entrepreneur, who should take on the responsibility to lead his employees and press them to work. Motivated by this plausible construction, he thus proposed that supervising and monitoring activities were of critical importance to his business.

This form of reasoning was not rare among Chinese respondents. Indeed, other respondents also suggested that in the private businesses, employees should contribute to the business under the direction of the entrepreneurs. However, as they claimed, they do not believe that employees would work willingly and enthusiastically for the cause of the business. They took for granted that the entrepreneurs should take active actions to enhance the working efficiency of employees. All Chinese respondents emphasises that their ethical stances to employees were dichotomous: they have to maintain the authority and power while being responsible for, and taking care of, their employees.

The researcher: *Can you give some detail regarding power and authority?*

Respondent 8: *You must maintain the power and authority and make them (the employees) understand who is working for whom. To some extent, they have to be afraid of you. Then they will listen to you, they will follow you, and work more*

efficiently... if you do not do this, your employees will ignore your authority and think you are soft. It is quite miserable when a boss says something and lots of people disagree or simply just pretend they did not hear... They have to do what you tell them. If they do not (do what you tell them) or you feel you can not get along with them, just fire them... It is your business. You decide who go and who stay... (q. C622-04)

Again, this respondent conveyed a world, in which power and authority were essential to maintain the entrepreneurs' owner-manager identity and efficient employee management. He extracted cues from a Chinese cultural institution in relation to human relationships, which were featured with large power distance in relation to age and rank. He took for granted that the power distance between entrepreneurs as superiors and employees as subordinates was essential to maintain an efficient working system. In addition, the respondent also enacted an environment, where employees were expected to be obedient and restrained from challenging authorities. Drawing on the cues from traditional deference to people in higher ranks, this plausibly reasoned that a certain level of reverence or even fear from employees to them was correct patterns of employment relationships. Through making sense of the employment relationships, the respondent constructed his identity as a powerful and authoritative "boss" or superior and employees' identities, in contrast, as obedient and deferential "subordinates".

This contrasts with British entrepreneurs, who described employment relationships featured with more equal status of both parties. A comparison is made and presented in the next chapter. Like Respondent 8, other Chinese respondents valued power and authority as indispensable components of a good leadership and stated so clearly. The following illustrative quote substantiates this further.

The researcher: *How do you see your relationships with the employees?*

Respondent 5: *Leading and led... We are working in the same organisation. There must be somebody in the leading position, while others have to listen to him and obey his order. In my organisation, I am the one. They (the employees) all respect me. In all the critical events, they can have their own opinion. As the business owner, it is me to make the final call... They all have to agree and carry out that decision...*

sometimes, when the work needs, I have to ask them to work longer and harder, or work in the weekends, or a public holiday, or their private time... They have to obey. Even if I am the boss, I still have to work hard. There is no reason why they did not... I won't say there are no complains. As long as it is my business, my words count... (q. C622-05).

Like Respondent 8 (see q. C622-04), Respondent 5 extracted cues from Chinese cultural institutions – status related hierarchy and subsequent power distributions, to address the relationships between him and the employees. His description showed that he took for granted that employment relationships were mainly characterised by hierarchy and power distance. Thus, he fashioned himself as a strong leader and this contrasted with the role that they assigned for the employees.

The above statements have shown that Chinese respondent conveyed big power distance between them and their employees (q. C621-01, q. C621-02, q. C622-01, q. C622-02, q. C622-03, q. C622-04, and q. C622-05). These statements provide some support of the existence of authoritarianism in Chinese entrepreneurial organisations. This enactment was strengthened by other environmental features captured by Chinese respondents, including high unemployment rate and abundant labour market, which had also been extracted as key cues for their construction of a powerful employer.

Respondent 3: *I think some of them may have a fear to lose their jobs... A los of state-owned emprises closed and every year there were tens thousands of new graduates from the university. It is not easy for people to find a job really. They try not to confront me (q. C622-06).*

Respondent 5: *They did not complain about anything (about their treatment)... There are loads of people like them (employees) waiting for a job. It is not difficult to find replacements. I pay even less than I pay them. I know it and they (employees) know it (q. C622-07).*

Respondent 20: *We had an employee that used to work for the state-owned factory, now the factory is closed and she can not find job anywhere. She is more than fifty already. No one wants to hire her. I gave her a job, she feel appreciated. She really worked hard... Because I am their boss, I pay their salary and provide them with jobs... I am good enough to them. They have to do things in return, right? They think so too. I treat them good and they know to appreciate it. So they never complain... (q. C622-08)*

In all three illustrative statements above, these respondents noticed and bracketed particular extracted cues to build up plausibility for and rationalise their powerful role in the organisation. They saw high unemployment rate and abundant labour market consolidating their authority and power to employees. Respondent 3 and 5 however, reflected that the fear of losing jobs was the main reason that the employees were obedient to them, while Respondent 20 saw the difficulty to find a job strengthens his benefactor image and increase employees' propensity to work willingly and enthusiastically. However, they all shared the same feature in enacting a plausible world with other Chinese respondents – employees should be obedient and should not challenge the authority. If the employees chose to behave otherwise, they had a risk to be dismissed. Thus one ethics of capitalism – people were employed and paid to serve the causes of their employers – was utilised to provide legitimacy for the power and control possessed by them over their employees.

All Chinese respondents reflected that as employer, they had the rights to dismiss employees. The dismissal reasons they gave reflects their efforts to construct a dominative and powerful entrepreneurial identity in employment relationships.

The researcher: *Can you give me occasions of difficulties with your employees?*

Respondent 11: *Some of my employees misuse the property of company for their private purpose. I caught one of them for a couple of times. Now I am seeking a new one to replace him. He is too sly. He is the company bus driver. He used the corporations' bus for his private use. He also ignored the rules and drove the car back home. He also cheated on the gas. Every time, you talked with him about this, he got some excuse to say to you. He has been in this trade for too long time and knows*

all the tricks... even I am a tolerant person, there still will be a boundary. If they trespass it, I will let them know who the boss is ...

The researcher: *Can you explain more about your boundary?*

Respondent 11: *I know it is quite common that employees took or use corporation staff for their private use. Sometimes, you have to allow them to do so. If you are too strict, nobody is going to work with you ... My boundary is that they'd better not do this too much. For example, if they were found steal or corrupt the money, they did not work at all, or they do bad things behind my back, I would be very strict to them and fire them... It all depends how you get along with each other. There are no fixed rules for the employment relationships. We just work together. During the process, I will observe them and see whether they were good person. (q. C622-09)*

The above statements showed a strong sense of a power as well as a focus on informality in Respondent 11's dismissal decision-making. In the first part of his statement, Respondent 11 demonstrated a strong motivation to defend his own business interests against the illegal infringements of employees. However, this stances were in conflict with his latter cue extracted – a reflection of structural characteristics, which was “I know it is quite common that employees took or use corporation staff for their private use.” To address such conflicts and maintain consistency, he continued to making sense the relationships between him and his employees and enacted an environment – “my boundary is that they'd better not do this too much.” He accordingly constructed his identify as “a tolerate person”. Such enactments were of strong subjective property as the respondent enacted what was “boundary” and what they saw as “too much.” Thus Respondent 11 verbally described his authoritarian power in dismissing decision-making. The respondent then weaved the cues into his plausible construction – entrepreneurs should maintain their authoritative role as well as being accommodative to some infringements from employees. From this sense-making process, we can see that this respondent was struggling to counterpoise contradictive cues and maintained self-consistency.

Similar to Respondent 11, other Chinese respondents also voiced the informal property of employment relationships in this cultural setting. Crucially, this lack of formal rules seems to strengthen the authoritarian power of Chinese entrepreneurs and

their self-centred stances reported in their interactions with their employees. Chinese respondents reported that they were working under the ambiguity and uncertainty. Here the analysis points to an important issue where employment contracts and legal institutions did not yet have much influence on the practices of Chinese respondents (see Section 6.2.4. for further discussion). All Chinese respondents interpreted the informality and ambiguity of employment relationships as facilitating to a powerful and authoritarian owner-manager status. This status of entrepreneurs also influenced the way respondents dealt with conflicts in employment relationships.

The researcher: *How do you deal with the conflicts or argument with employees?*

Respondent 8: *We do not have strong, direct conflicts. My employees did not argue with me at all. We talked. If they had any problems or issues, they could ask for my direction or opinion. But not argue.*

The researcher: *How about salary and treatment?*

Respondent 8: *I paid them at the market rate. Before they accepted the position, they had compared with other companies already. If they could find somewhere better, they would not work in my company, right? They did not really ask me about the treatment. Everywhere are the same, there is nothing more about it. I will raise some employees' payment according to their contribution and performance in the business. If they did good job, they would be rewarded... They certainly would not argue with me about the money. They can ask while I will see the circumstances to make the decision. None of them really asked... If they do not like it, they can choose to leave. There was employee intended to quit her job. She was very good and very reliable. Thus I raised the salary for her and paid her social insurance. She felt good and stayed. It is just like this. No conflicts. (q. C622-10)*

Respondent 8 made sense of the conflict situations between him and his employees. Drawing on the cue, which was a traditional deference to the people in higher ranking, respondents 8 enacted an environment, where his employees should not challenge him as employers. In addition, the respondent also noticed and bracket cues that employers provided salary and benefits similar to each other – “a market rate”. He thus reasoned that employees should be satisfied with their current treatment and carried out their duty as expected. Furthermore, the respondent also extracted cues that when conflicts

arise, the employees should avoid confrontation and talked with him in a modest and indirect way – “We talked. If they had any problems or issues, they could ask for my direction or opinion. But not argue.” It was interesting to notice that in a process of conflicts resolution, he simply interpreted the situation as employees’ choosing leave or stay. This interpretation showed that the respondent had confidence that on most of occasions, his employees would not risk their career to press him for better conditions. This interpretation is also echoed by the sense-making of Respondent 3 and 5 where employees may feel afraid to confront their employers because of the fear of losing jobs (see q. C622-06 and q. C622-07). Through weaving above cues into his plausible reasoning, Respondent 8 explained why there were no direct and strong conflicts between him and his employees.

This authoritarian stance of entrepreneurs evokes ethical issues if interpreted from western perspective, but it was interesting to notice that all Chinese respondents took for granted that they had a responsibility to take care of their employees and even their personal needs. With an apparent western influence, more than half of Chinese entrepreneurs (11 out of 21) suggested to employ a more open, candid and employee-centred strategies to construct employment relationships.

6.2.3. Caring and Motivating Employees

Unlike British respondents, all Chinese respondents reported that they were seriously involved in the personal life of their employees – a major difference pointed to the unique cultural and historical context. However, half of the Chinese respondents expressed reluctance with such involvement while the other half stated that they were happy to help their employees with their personal matters. All Chinese respondents claimed that that was what they had to do and assumed it as part of the responsibility of employers to employees. The division of opinions might arise from the contradiction between templates: a straightforward Western-like employment patterns vs. a paternal relationship deriving from Confucian traditions.

***The researcher:** Can you give some details about your description “like a family”?*

***Respondent 1:** I am like their elder sister. I have to take care of everyone from their work to personal life. Employees are not enthusiastic to work. You have to set up*

timetables and force them to work. When they are lazy about getting things done, you have to push them... She (one of the employees) worked too passively and preferred working with the routines...I had to teach her personally hand by hand, word by word...You have to talk to them (the employees), (and) communicate to them, (and) make them feel you care them, maintain close relationships ... If I were the kind a businessman with profit as a first consideration, I would have fired her when she did her job not very well at the early time. But I think I am supposed to give her an opportunity, we are like families. After all it is a process for the people to get mature... As the owner of the business, you have to take blame sometimes... Employees are growing along with the business... Sometimes, employees will ask you some personal favours, such as using company cars or having access to some of my social networks, I am glad to help them. (q. C623-01)

Respondent 1 as well as other Chinese respondents enacted their relationships with the employees towards to paternalistic relationships. He extracted cues from cultural institutions regarding superior-subordinate relationships. Under such relationships, she had specific rights and obligations similar to those between parents and children. According to her description, employees lacked enthusiasm and autonomy, and so, she had to arrange the schedule and push them to work. In addition, when employees lack of working knowledge or skill, she had to teach them personally. Furthermore, if the employees made mistakes, the respondent had to take the responsibility and deal with the issues. Thus in the working relationships, the respondent enacted the paternalist relationships, given employees' unenthusiastic and passive working attitudes and mistakes. Respondent 1 expressed that she had to maintain close personal relationships; show personal care to satisfy her employees' emotion needs; and even help her employees in terms of their private needs as well as manage employees with taken-for-granted power and authority.

These characteristics reflected by Respondent 1 were supported by the findings of analysing statement provided by other Chinese respondents. All the respondents took for granted that paternalistic relationships were typical in Chinese employment relationships and informed a common templates shared by many business people. Yet ten respondents of them conveyed reluctance to be involved in non-work-related

relationships with employees – these respondents expressed a sense of reluctance to take care of employees’ non-work-related issues or personal matters. They extracted cues from the Western ethics regarding employment relationships – employment relationships should stay largely within working relationships. In contrast, fourteen respondents (including 3 from the above 10 respondents) commented that such relationships were of help in increasing employees’ sense of belonging and their willingness to work.

The Researcher: Please give some details of your employee’s working attitudes?

Respondent 6: People disincline to work in a private business. They feel unsecured. If they could find another job as public officers or employees in foreign companies, they would definitely leave. They do not have the sense of belongings to my company... (The consequence is if) you told them to do this, they would do that, or pretended they were working with your presence, then did nothing when you turned around... They do not value their working experience in the private sector. They can not connect their future with the business...

The researcher: What did you do about it?

Respondent 6: I do not think that I can provide much in financial motivations. My business is not like big companies and can not offer big money. I am trying to build more emotional connections, and made them to feel like working with the family... Sometimes, I help them in their personal matters. It is like to build up personal emotional ties. They respect you and follow you. You have to take care of them and help them when they need. Personal relationships would give them a stake to work for you sincerely, from the heart. (q. C623-02)

Respondents 6 plausibly reasoned his enactment of paternalist relationships by arguing that such relationships enhanced employees’ working enthusiasm. He noticed and bracketed cues from institutional environments, particularly those related to historical conditions in transition economy – “[p]eople disincline to work in the private business” and employees worked in private businesses hence had a negative working attitude. He further built up plausibility by contrasting the employment situations in the small businesses with those in the government departments and foreign company. This respondent thus propounded that employees lacked sense of

belongings and stakes to contribute to their business. Limited by the size of the business and capital, the respondent admit that small business entrepreneurs could not provide other means but personal connections and emotional ties. According to the respondent, the result of these personal connections and emotional ties had requirements on both sides: the employees should respect and follow the employer and contribute to the business voluntarily; while the employer should take care of the emotional and personal needs of their employees. By talking so, he built up the plausibility for enacting paternalist relationships in the small businesses.

Some respondents (11 out of 21) also sought to expand the paternalistic relationships to incorporate a more open, candid and employee-centred strategies in order to motivate employees. They extracted cues from the modern managerial values, which largely drew on ethics and practices in Western business culture. The following statement from Respondent 7 was a typical example among them.

The researcher: *What improvements did you do for the employment relationships?*

Respondent 7: *At the beginning, my company did not run very well... The employees did not have the enthusiasm to work. (Because) They think they were working in private business and did not value the opportunity (their jobs). They were influenced in a bad way – just wanted the money, did not want to work. They thought that the business was just my business and do not really care... I took some measures... I care them more and treat them like my family. I organised a series of activities, like having picnics and playing badminton...I memorised their birthdays and celebrated for them...I connected their income with the financial gains of the company...I promoted contributing employees and gave them a bonus or share of the business...I bought social insurance and pension scheme for them...I communicated with them frequently. We met each other almost every week –talk with each other and I listened to their ideas about the business. Now I have to say the business is much better. So are our relationships. (q. C623-03)*

Respondent 7 described his strategies in developing employment relationships. While sharing the same opinion with Respondent 6 that people were reluctant to work in the private businesses, he further explained that that was because being socially

influenced, employees tended to focus on individual financial gains rather than the interest of the business. Given this, the respondent claimed that he was motivated to implement some strategies to reduce these adverse social impacts on and motivate employees. These strategies or measures also given by other Chinese respondents included showing care, socialising together, increasing personal connections, setting up rewarding schemes, increasing employees' benefits, building up constant communication channels, and listening to employees. The respondent observed the results and claimed that these measures were productive and particularly met his need for achievement – “the business is much better”. This also illustrated the ethical stances of this respondent – he treated his employees as means to an end and the caring stances were used as a tool to motivate his employees.

6.2.4. The Legal Perspective

The majority of Chinese respondents stated that they had no experience of the law regarding the employment relationships. They further expressed that they would not use the law or legal institutions to resolve conflicts with their employees. All Chinese respondents claimed that they did not believe that their employees would use the law against them. Furthermore, the majority of Chinese respondents revealed that they did not have a formal employment contract with their employees. The most common way of conflict resolution was informal negotiation or terminating employment relationships directly (either employees resigned or employers dismissed the employees).

***The researcher:** How about law and contracts in your employment relationships?*

***Respondent 6:** I do not really have a contract with my employees. It is something about the familiarity and mutual knowledge. We develop relationships through daily working interactions and personal familiarisation. If we had any problems, we just talked. If any employee does not like the job or dislike to work here, he (or she) can leave anytime. What is the contract for? The employees never asked me to give them a contract.*

***The researcher:** how about the law?*

***Respondent 6:** I never think to appeal to law to sort out issues between me and the employees ... We do not need it, do we? Think about the cost, the time, and the energy*

you have to spend on (legal procedures)...I think we can settle everything just by ourselves...They (the employees) never think about it either (appeal to the legal institutions, particularly for legal protection)...I am not a bad employer and did not treat them that badly. I care about them. If someone used the law to against their employer, that must be because he did something really bad to his employer. As far as I know, it is rare to see employees appeal to the law against their employers. They did not hate employers that much. Employment is just a mutual choosing. You choose to work for me and I choose to give you a job. If they do not like to work for someone, they can choose to leave ... (q. C624-01)

Among Chinese respondents, Respondent 6 provided a typical answer to the question regarding the role of contractual and legal institutions in the employment relationships. This respondent extracted cues from cultural institutions in relation to human interactions. Through ongoing sense-making of his interactions with employees, he build up the plausibility for his argument – the employment relationship was based on the development of personal relationships rather than contractual relationships. He argued that mutual knowledge and close proximity built upon personal and working interactions were sufficient to maintain employment relationships. In addition, the respondent emphasised that his employees did not require a written contract. He argued that the employment contracts were not looked-for by both parties of the relationships. In his opinion, the employment contracts were dispensable rather than legally compulsory.

Respondent 6 took for granted the reliance on informal procedures to resolve conflicts. He built up the plausibility of his argument by extracting cues from his observation: informal procedures rather than contractual and legal institutions were frequently used by the people. According to Respondent 6, he had no intention to use to the law to ensure the rightness of his employment relationships; neither did his employees do so. He further increase the persuasion of his argument through extracting cues regarding the cost of using formal legal institutions in terms of money, time, and effort. He thus enacted an environment, where informal negotiations between the respondent and employees were treated as the main channels of resolving conflicts. In addition, the respondent emphasised that the law was used as a means of punishment of

wrongdoings. Thus it only occurred when the employees were treated terribly. For most of situations, the respondents described law as not necessary, as employment relationships could be terminate easily by both of the parties – “If they do not like to work for someone, they can choose to leave.”

Some of the Chinese respondents further voiced their reluctance to sign employment contracts as they saw the contracts as a constraint of their power and authority, or potential legal evidences used by employees against them in the court when conflicts escalated.

The Researcher: *Why you did not sign the employment contract?*

Respondent 5: *I did not see any purpose in signing such a contract. It will do no good to me. It could be used by the employees to do things against me; (they may) go to court to sue me. You have to think of this possibility. Relationships could go bad sometimes and people are not predictable. They could do anything weird to hurt you. Without these formal documents, I felt freer to manage people, to direct people. The contract will say you can not do this, (and) you can not do that to your employees. I just felt that my hands and feet were bound. Without a contract, all you need to do is just to ask. You employees will just do it. When they get a contract, they will have many thoughts: oh that is not my duty; I am not supposed to do that. Anyway, till the end they still have to do it, but they will feel bad and think that they were forced to do it. I did not want to see my people work reluctantly. I see no reason why I should bring troubles on myself... Employment relationships are just two people's issue (employer and employee) and not necessary to make it that formal. I think that we should just keep it that way. (q. C624-02)*

Respondent 5 explained why as the owner-manager of the business, he had no reason to sign employment contracts with his employees. His statement showed that he took for granted that contracts and other legal constructs were not applicable to his business. One of the reasons was that he worried that the employees would use the contract for the legal purpose against him. He claimed that there were possibilities that employment relationships could deteriorate and employees “could do anything weird to hurt you.” For the sake of safety, he thus argued that he intended not to sign a

formal contract with employees. It was interesting to notice that the respondent ascribed employees' behaviour of using legal protections as "weird." That suggested, according to this respondent, it was a rare situation that employees engaged in such legal activities against their employees.

In addition, Respondent 5 felt reluctant to involve formal employment contracts because he saw them as constraints of their construction of a powerful and authoritarian owner-manager identity. With a contract, the respondent stated that he felt constrained from freely giving orders and directions and worried that he might breach contractual obligations of the employees. He further argued that employment contracts changed the obedient attitude of employers and encouraged them to question employers. The respondent admitted he could still invoke the owner-manager identity to oblige the compliance of employees. Nevertheless, the contracts might increase the reluctance of employees to do certain work and follow their order. In this way the respondent reasoned plausibly why there is no need to bring in the contract in the employment relationships. Respondent 5 further propounded that employment relationships should only involve employer and employees and be characterised by informality. The extracted cues showed that he is located in an institutional environment featured with underdeveloped legal infrastructure. As a result, he was not motivated or pressed to follow contractual and legal institutions in carry employment relationships. His description showed that he treated contractual and legal institutions as obstacles of his internal locus of control and self-efficacy in employment relationships. This stance was shared by many Chinese respondents and relied on a particular historical - cultural context. In terms of the ethical stances, then, the majority of Chinese respondents took for granted that personal relationships characterise by informality were more useful in developing employment relationships than a written contracts.

Only a minority of Chinese respondents actively admitted that they had some knowledge of employment law and other relevant regulations. Some of them claimed that they signed the employment contract or bought employees social insurances for benevolent reasons or to motivate employees (e.g. Respondent 7 at q. C623-03). Others announced that they were obligated by the law and assumed that it was the

right thing to do. This suggests a changed ethics following the increasing developed legal system and infrastructure. Indeed, most of Chinese respondents expressed that contract and law would play an increasing important role in regulating employment relationships and it was wrong to breach the contract or the law. To maintain self-consistency and build up plausibility for their arguments, they extracted cues to form an explanation on whether it was necessary or not necessary to, rather than they should or should not to introduce contracts and the law in the employment relationships. By doing so, they thus avoided to fall into an ethical dilemma.

The researcher: *Can you give more details regarding the contract and law?*

Respondent 13: *I think contracts and the law are important. You can see from the TV or newspapers that a lot of private business people are blamed for exploiting their employees. They did not adhere to the legal regulations while they should have. A lot of private business people did not sign employment contracts with employees. They did not buy social insurance for their employees. They just did whatever they wanted to.*

The researcher: *Why did they not use employment contract and paid insurance?*

Respondent 13: *Some of them did not know that these are legally required. Some of them may just want to cover up the real size of their business and not pay tax. Some of them may just work in old fashioned way and not care about the legal changes...*

The researcher: *How about you?*

Respondent 13: *I did everything according to the law. I had contracts and bought social insurance (for the employees). I just want to be a decent businessman. I tried to do everything right. I do not want to be in trouble. (q. C624-03)*

Here Respondent 13 conveyed his opinion regarding the employment contract and law and relevant business practices. He extracted the cues, which were that employers abided by the law, had a formal employment contract, and bought social insurance for their employees. He built up plausibility by arguing that these behaviours were socially desired and consistent with public expectation to the business. To do so, he further cited the negative reports from media regarding employment relationships in private businesses as a contrast. He labelled these reported behaviours as “exploitation” and thus ethically wrong. By adding up these cues, this respondent

achieved plausibility of his story and added legitimacy to his actions. It is worth noting the efforts made by this respondent in constructing his identity – “a decent businessman”, who “did everything according to the law” and “had contracts and bought social insurance (for the employees)”.

It is interesting to notice that Respondent 13 provided three reasons to explain why private business employer felt reluctant to have a formal employment contract and pay for social insurance. One reason was that private business employers had low level of legal knowledge and did not know these are legally compulsory. In addition, he suggested that some of employer purposed to do so in order to hide the scale of the business and thus evade the tax. Moreover, the respondent listed the third reason as one where the private business owner, having got used to the old routines of employment relationships, felt reluctant to adapt to the legal changes.

It is worth noting the way that Respondent 13 added that he adhered to the law. He argued that abiding by the law was the right thing to do and that made him “a decent businessman”. By doing so, he avoided to get involved with legal issues. However, the researcher noticed that the respondent described his adherence to the law as an option rather than a compulsory obligation. So he used terms like “want to”, “tried to” and “do not want to” while indicating the voluntary nature of abiding by the law and that the legal constructs were still not as influential as it was for the British respondents. The latter claimed that they “have to” adhere to the legal regulations (e.g. Respondent 7 at q. B524-03). Further comparisons and discussions of these are presented in Chapter 7.

All Chinese respondents emphasised the importance of personal familiarity and proximity in developing employment relationships. Their explanations showed that they had a sense of insecurity, suspicion and distrust to their employees. To increase their internal locus of control and achieve self-efficacy of the situation, Chinese respondents argued that they had to develop personal relationships with employees and rely on emotional connections to reduce undesired variables. Such actions and stances reflect that Chinese respondents enacted environments without much support from the legal infrastructure.

Respondent 11: *You do not know who you are supposed to believe. My employees...? (Do) You believe in your family? Even some close relations or friends will turn against you for their own interests, not to mentioned employees. Everyone only cares about money. I have to be careful. I still believe it is never wrong to be more cautious. (q. C624-04)*

Respondent 15: *I can not trust them easily. This society is changing. People are becoming more selfish and material. They care more about their own interests. This is my own business. As far as I see, I am the most concerning person about surviving and development of the business... Indeed, I understand them, it is not their business. They just come here to have a job and make a living... (q. C624-05)*

The above two respondents voiced their distrust to their employees. Both of them rationalised their distrust through the extracted cue – while vague and broad – of the social trend, in which according to them, people were increasingly caring about themselves and financial gains. What this led to was a cautious stance around the employment relationships. What mitigated this was noted by Respondent 15, who introduced the importance of personal relationships between him and his employees, which were built up by time. Hence, time was needed to develop trust and commitment, which had been argued by this respondent and others as one crucial factor in employment relationships.

Respondent 15 *(Continuing the conversation presented at q. C624-05): I am not saying there is no one in my business trustworthy... Some of them (the employees) have followed me quite long time. I know them very well. They are more reliable and trustworthy than other guys, who I have less knowledge of... you will know a person more fully as time passed by... (q. C624-06)*

Respondent 15 valued the importance of long-term relationships. He argued that the trust could only be built on the basis of long-term knowledge, proximity, and familiarity of each other and the repetitively good impression of employees' behaviours and minds.

This section has begun to illustrate some initial findings regarding how Chinese respondents made sense of their ethical situations and issues in relation to employment relationships in the specific cultural setting. The next part continues to examine this with regard to business relationships.

6.3. Business Relationships

All Chinese respondents claimed that their business relationships were the most important relationships they had. Emphasis was consistently placed on the need to identify new opportunities, the retention of business partners, the acquisition of information, the need to improve business management, increase profits, reduce risks and overcome business difficulties – aspects closely related to entrepreneurs' need for achievement, profits and business growth. The following section discusses the process by which Chinese respondents make sense of ethical issues arising within their business relationships.

6.3.1. Long-term Personal Relationships Centred

During investigations into the relevant business relationships, the researcher noted the existence of various understandings of *guanxi* concepts (see Section 3.3.2 for the meaning of *guanxi*). Some respondents interpreted *guanxi* as relating to general business relationships, some regarded *guanxi* as a relationship strategy; some of the respondents talked of *guanxi* in terms of business procedures; some explained *guanxi* as a synonym for unethical or illegal business practices; others defined *guanxi* as a social network and treated it as relating to social resources. These different explanations of *guanxi* informed the results of the foregoing analysis and the presentation of the findings next. In the view of these diversified interpretations, this study uses various terms, including relationships, networks, *guanxi* strategy, and *guanxi* practices business procedures on different occasions instead of using one general terms of “*guanxi*”. Through doing so, the researcher avoided the misunderstanding caused by this multi-interpreted *guanxi* concept by Chinese respondents.

All Chinese respondents highlighted the importance of personal relationships and business networks in conducting their business relationships. When answering questions regarding business relationships, all respondents described their personal relationships with their business partners as a significant component of business relationships. In particular, the respondents treated it as a common procedure that they should know their business partners in person first before they went further develop the possibility of business relationships. During the process of conducting business, personal relationships and business relationships were seen as intertwined and evolved through mutual trust and commitment. Furthermore these concepts moved beyond the scope of the business alone and reached into areas of private life. Indeed, all the Chinese respondents stated that even when business relationships terminated, the personal relationships between business partners were still capable of persisting as they had often evolved into a friendship or even a brotherhood. This is one major difference with British entrepreneurs as we shall see further in the next chapter.

The researcher: *Can you give me an example of your business relationships?*

Respondent 15: *I had a friend. We were introduced by a common friend whom we both knew. We then began to get to know each other. We had a business banquet and chatted with each other. We had a few social meetings. I thought he was a good person and he also thought I was ok. We did a couple of deals. He is good and sincere in doing business with. Of course I did pay him on time also. We became very familiar with each other. We are not only business partners, but also very good friends. He is a very good man. Sometimes, if I did not have enough circulating capital (to buy or pay), he would not mind to be paid later... I will try my best to help him as well, sincerely. When his mother got sick, it was me who found her a good doctor in the metropolitan hospital... he felt very grateful. Last time when I needed some urgent help for a certificate from a government office, he found someone to help me and I got the document quickly... You see I will pay him a fair price and provide good quality products, not everyone do I will treat like that... To us, it is much more than purely a business partnership. We are friends. We are brothers... (q. C631-01)*

Respondent 15 conveyed the crucial importance of personal relationships to the business. He extracted cues from his observation of business conventions – combining

personal relationships and business relationships together to form successful business relationships. He took for granted that this was the typical business routine, the usual means by which business relationships were developed. According to the respondent, before the formal business relationships began, they would seek to build up personal contacts and increase familiarity with each other person-to-person. Respondent 15 thus enacted an environment, in which the social network was of great importance in building contacts with potential business partners; business banquets were a common means of socialisation to meet this purpose. Successful business relationships were developed in response to the advancement of the personal relationships between the parties and the successful business interactions, in turn, promoted the personal relationships also. Up to this point according to Respondent 15, the personal relationships had been integrated into the business relationships. Thus reciprocity, mutual trust and commitment were developed in terms of both the business and personal relationships.

By the above description, Respondent 15 constructed the plausible story and rationalised his stances accordingly – business and personal relationships were inseparable and developing personal relationships were legitimate in this cultural setting. This is, in contrast, very different with the stances hold by the major British respondents that these two relationships should be separated and the relationships between business partners should be developed at business level rather than personal domain (see more detail in Section 5.3.4.). Further comparison will be carried out in the next chapter. It was noticeable that Respondent 15 constructed identity featured with strong proximity in this business relationship – “[t]o us, it is much more than purely a business partnership. We are friends. We are brothers”. Again, such proximity was rarely reflected in the sense-making of British respondents (see Section 5.3.4.). It is significant to note that Respondent 15 mentioned the price and quality of goods and services provided as one of the important indicators of the success of the relationships between him and his business partners. This will be further discussed in Section 6.4.4.

In addition to the process of development identified above, when the business relationships terminated, the personal relationships still persisted and became part of

the social network of the respondent. This network held potential to bring in more fruitful introductions and relationships, both in business terms and on a personal level also. This was echoed by other respondents, who also added additional elements such as long-term business and personal relationships, increased access to new customers, ability to retain existing clients, the facilitation of business operations, and access to relevant business and market information. Reflected from the statements of Chinese respondents, their efforts in developing personal relationships were indeed a measure to increase their internal locus of control and enhance their self-efficacy in business relationships. These efforts were deemed as necessities to meet entrepreneurs' needs for growth and profits in a business environment, where limited support from legal infrastructures was available.

The main ethically debatable *guanxi* practices reported by Chinese respondents included: business banquets, entertainment, gift giving, kickbacks and bribes. Respondents' stances to these practices were varied. Some of them (9 out of 21) suggested that these practices complied with the cultural roots of Chinese business and would remain important in their operations. Some of them (6 out of 21) argued that these practices were ethically wrong as they were against efficiency considerations and would decline as market-oriented economic reform proceeded. Some respondents (6 out of 21) suggested that the favour-based relationships would remain, while illegal or power exchange based *guanxi* practices would decline as the legal system was further developed and more effective.

The researcher: *What role do you think guanxi and its practices have within your business?*

Respondent 15: *It is important... We (the entrepreneur and business partners) are all friends. No friends, no business. The more friends you make, the more business you have... We do not cheat on each other and give each other honest prices and good quality products. We also recommend to you loads of new business or other useful contacts to each other ... Some of them (business friends) are of critical importance and our relations are like brothers. We meet each other constantly. They teach me a lot of things – very valuable experience...I think guanxi will remain important in our business (q. C631-02)*

Respondent 6: *Guanxi is a problem for my business. This whole trade, the whole business is just “muddy water.” All the people are messing around inside... that is not right. The business relationships should be carried out like Westerners. They honour contracts and abide by the law. All the things are very market oriented. They do not have these guanxi stuffs and care more about how to improve their own product and improve the management of their business... Now in the south, the business people are more market-oriented and I think the whole country will be like that. (q. C631-03)*

Respondent 13: *I think guanxi can help people in finding more opportunities and useful information. Businesspeople still find guanxi of use and even in the future, knowing more people will still be useful. Those practices against the law will be less and less important because the law will become increasingly strict. You can see on the TV; a lot of people go to jail because they participate in corruption etc. I think when the rule-of-law is established in Chinese society, the situation will get better and illegal guanxi will appear less and less. (q. C631-04)*

These three respondents extracted cues from different institutional perspectives and thus reflected different ethical stances regarding *guanxi* practices. Focusing on the culturally informed personal relationships, Respondent 15 interpreted *guanxi* practices as a process of knowing friends and acquiring social resources. Taking this forward, this respondent further rationalised his argument by specifying the advantages of *guanxi* practices in terms of trust, commitment, new business opportunities and information. By doing so, Respondent 15 enacted an environment where *guanxi* was essential for the development of business relationships; and also constructed his identity as a resourceful and competent businessman seeking for friendships as well as new opportunities.

In contrast, with a template influenced by Western business practices, Respondent 6 propounded the “right” patterns of business relationships – business people should “honour contracts and abide by the law”, and “[a]ll the things are very market oriented”. This respondent further built up plausibility by extracting cues with regard to the southern business relationship patterns locating in a more market-oriented and

Westernised business environment. Respondent 13 suggested a dichotomy of *guanxi* practices. The extracted cues were drawn from both culturally rooted values in relation to human interactions and the recent development of legal infrastructure.

Despite their different opinions regarding the future of *guanxi* practices, these three respondents shared the view that *guanxi* and its practice were still of importance to their current business relationships. The different predictions of Respondent 15, 6, and 13 might be attributable to their varying sense-making approaches related to different types of business relationships. Respondent 15's sense-making delivered a favour exchange based business relationships, characterised by the horizontal status of all involved parties; Respondent 6's sense-making focused on power-exchange based business relationships, distinguished by the vertical status of all involved parties. Respondent 13's sense-making discussed both types of business relationships while referring to cognitive knowledge of the development of the legal system in China. With this explanation, the three different answers may be understood as compatible rather than conflicting with each other. This could also provide an account of why Chinese respondents practiced *guanxi* differently according to different types of business partners, as reflected, for example, in the following statement of Respondents 3.

The researcher: *What do you mean by different guanxi types in business relationships?*

Respondent 3: *I mean we had different guanxi types, different guanxi operating upon different business objects. When you do business, it is necessary to use different strategies to deal different people. For example, when you do business with government officials or state-owned enterprise managers, you have to do everything ... business banquet, sing karaoke, entertaining them, giving gifts and kickbacks, sometimes bribe and so on. Make them happy and you get the business. Another group are those businesspeople who emphasise personal relationships. They do not know you and wanted to know you more. So we socialise together, eat, drink and chat. We do not do business, until we think we know each other well. The last types of people are those who cared more about business in its own terms. These people are mainly Southern Chinese. They want to get into business very quickly so the social interaction will be much less. I think that is because in the South, the*

market economy is more prevalent. So they care more about efficiency and profits and intend to do things quickly.

The researcher: *How do you feel when you deal with different businessmen?*

Respondent 3: *I do not choose them. I am a businessman. If I could make money, I do not mind doing business with anyone of them. Besides, this is just the business reality; you have to adapt to it rather than challenging it. My business is not big and do not have much scope for me being picky. (q. C631-05)*

Respondent 3 stated that practicing *guanxi* strategically, he adopted a flexible approach with different types of business partners, which required the ability to “read” the others’ needs. He extracted cues that these business partners, at the management level, had the relevant power to make business decisions and they tended to use this power for their own advantages. Respondent 3 argued that the use of different business practices were a strategic response required by the business environment. He took for granted that business people could only comply with the complicated business environment, which was characterised by various, and often conflicting, business routines and rules. This was particularly important to his business due to the small size of the business sale. Respondent 3 built up plausibility of the story through arguing that he was adapting to the “the business reality” and thus his actions and ethical stances were legitimate. He constructed his identity as a flexible and adaptive small business entrepreneur, who enthusiastically sought after opportunities for the business growth and profits.

This respondent announced his profit-centred stance in developing different business relationships and personal relationships with different types of business partners. In his business relationships with government officials and state-owned enterprise managers, the relationships were more vertical rather than horizontal in nature, as he had to “make them happy and then you got the business.” Nevertheless in relation to other private business actors, the respondent’s description was characterised more by the notion of horizontal business relationships. He was following similar business routines mentioned by Respondent 15 (q. C631-01). Respondent 3 particularly separated private Southern business people from other types of business partner. According to the respondent, this was because they tended to be more focussed upon

efficiency and profit concerns. He connected this profit motivation to the higher level of market-orientation within the Southern Chinese economy. This perception was also shared by another three respondents (e.g. Respondent 6 at q. C631-03). By such stratification of business relationships practices, Respondent 15 implied that his ethical stances and business practice within business relationships were cross-influenced by the changing economic norms and culturally rooted relationship values. His statement shows how history and culture evoked particular ethics and that these are continuing to change. In this context, the transition economy provided materials for this respondent's sense-making and influenced his ethical stances in the employment relationships. These changes had been reported by other Chinese respondents.

Two thirds of the twenty-one Chinese respondents revealed that they had to stratify their business relationships and utilised various strategies to develop business relationships with different business partners. Others reported that they only had the second type of business relationships described by Respondent 3. Thus they did not have issues relating to bribery or corruption. It is worth noting that the Chinese respondents described their identity featured with less sense of power, internal locus of control, self-efficacy and need for achievement in business relationships than in employment relationships. This feature is also reflected in government-business relationships, which will be detailed in Section 6.4. In addition, this study found that the practice of combining business and personal relationships may be connected to the respondents' feelings of insecurity and distrust with regard to new business partners or strangers as we see next.

6.3.2. Trust or Distrust

The majority of Chinese respondents expressed a sense of distrust in business partners generally and argued for the importance of knowing them person-to-person in order to reduce the felt insecurity.

The researcher: you said you have to know your business partner well for your own security. Can you give more detail?

Respondent 4: *In business, bad things do happen with all kinds of possibilities. Some people might take your money, and give you nothing or low quality staff; some of them might take things without paying; some of them might delay the payment for quite a while, when I need money urgently; some of them just cheat on purpose... The first thing in being a businessman was leaning how to protect myself... I must be well prepared for all kinds of possibilities... The business world is like a stormy river and you are rolling a boat in this river. If you are not careful enough, you will be overturned.*

The researcher: *How is this related to your personal relationships?*

Respondent 4: *Of course it is very much related. The more you know who you are dealing with, the better odds you will have. Through personal contacts, chats, business banquets, social events, you will know a person a lot better: what kind of person he is; how big is his business; who are his business partners; (and) what kind of problems he has. People may not tell you everything, but you can get a lot of the information that you need. What he talked about and the way he behaved reflected his style of doing business.*

The researcher: *How about if these problems still bother you?*

Respondent 4: *I can do nothing about it. You have to accept, this is the cruel part of the business. This is the reality. Like I say, you have to be well prepared for the loss.*
(q. C632-01)

Respondent 4's statement indicates a sense of insecurity in doing business with business partners. Making sense of his experience, he argued that this business world was characterised by unstable relationships and uncertain factors, which threatens business interests. He used a metaphor to describe such a business world as "a stormy river" with his business like a "boat". He was also short of means to protect himself from such threats apart from relying on the strength and information gained from personal relationships. So to address this uncertainty, he actively developed personal relationships and built up the trust he needed in new business partners. This reflects that motivated by his business interests, this respondent attempted to regain the internal locus of control and self-efficacy in business relationships.

By adding up these cues, the respondent built up plausibility for his argument – through developing personal relationships, he would know his business partners better, as “what he talked about and the way he behaved reflected his style of doing business.” This would reduce the risk of doing business with new business partners. Again, the personal relationships had been used by Respondent 4 as a means of protection in an environment characterised with underdeveloped legal infrastructure. As a result of the sense-making, this respondent created his identity as a struggling businessman fighting with “the cruel part of the business” and constantly endangered by unstable and uncertain business relationships. The respondent admitted that personal relationships could not always prevent the damage caused by a declining or failing business relationships.

The majority of Chinese respondents reported similar problems and issues in business relationships and they shared similar attitudes to Respondent 4 – they expressed that they could do nothing but increase personal relationships as precautionary measures. Some Chinese respondents, however, revealed that they too engaged in unethical business practices in attempts to reduce the damage caused by some deteriorating business relationships.

The researcher: *Can you give me some examples how you protect yourself?*

Respondent 8: *In this trade, it is quite common that we owe each other's money... I have to push them (business customers) again and again to pay for what they buy from me... Some of them pay on time; some of them have financial difficulties and will delay for a while; some of them I even cannot find the people – I do not think I can get anything from them anymore... It is business. If they do not pay me with full amount and on time, how can I pay my debt (to the suppliers)? So I will delay paying another until they pay... it is nothing about right or wrong. It is the real business world. I have to accept it and adopt its practices and people have to accept and adopt them too. (q. C632-02)*

Respondent 8 rationalised his own unethical business behaviours by arguing that others did this to him first and that these behaviours were self-protection measures to prevent further damages to his business interest. He cited the example of the unethical

business practices of non-payment or delaying the payment of debts. He extracted cues from his observation of structural characteristics which constituted “the real business world” – a particular world. Respondent 8 extracted the similar cues to those from Respondent 4 (see q. C632-01), and had similar enactments – the insecure and uncertain business environments drove them to take actions to protect their business interests. The difference was that Respondent 4 took a defensive stance, while Respondent 8 used these cues to rationalise his unethical practices. Given the small size of the business and limited cash flow he perhaps felt he could not behave ethically to other business partners when other have affected his own business by unethical behaviours – “If they do not pay me with full amount and on time, how can I pay my debt (to the suppliers)”. For the sake of business interests, the respondent had to transfer the risk to other business partners. The respondent verbally described a vicious cycle of unethical behaviours. The statement of this respondent suggests a lack of influence stemming from market-oriented economic infrastructure, in particular a lack of legal institutions keeping up with this emergent issue. He made sense to this knowledge gap accordingly and a particular ethical stances is assembled – “it is nothing about right or wrong. It is the real business world”. The following section focuses on this and the perceived role of contracts and legal institutions in Chinese respondents’ sense-making of issues related to their business relationships.

6.3.3. The Legal Perspective

All Chinese respondents argued that personal relationships were more important than the law and legal institutions in clarifying obligations and rights, stabilising business relationships and avoiding disagreement and conflicts. According to the majority of Chinese respondents, contract and legal institutions were of limited or no use in their business relationships. Most Chinese respondents stated that they had no experience involving the law in resolving issues or problems related to their business relationships. They also expressed that they would not use the law or legal institutions to resolve conflicts with their business partners; they also claimed that they did not believe that their business partners would use the law against them. The most popular reasons given by the respondents were: avoiding intensifying conflicts and emphasising harmony, the cost of resorting to the law and a reliance on informal negotiation. The most common means of conflict resolutions reported by the Chinese

respondents was this informal negotiation. However, it is interesting to note that two thirds of the respondents claimed that they signed contracts for business transactions constantly. Unlike with employees (see Section 6.2.4.), they claimed that signing contracts was just a procedure and maybe of use in the last resort when conflicts were unresolved and the business interests involved were significant. These findings are illustrated next with a focus on highly why the cues and hence the ways their ethical stance are assembled.

***The researcher:** What is the use of the contract and the law in your business relationships?*

***Respondent 7:** We have a contract. But if people choose not to adhere to it, the contract is nothing but a piece of paper. It is too naïve to think that people then will follow it voluntarily and do everything accordingly. Very often, people change their minds. A contract cannot reflect this change. Thus we have to be flexible and talk with them. Hopefully we can work out something that both sides can accept. There are very often some changes in most business transactions, even if you do not feel good about it. That is the way of doing business. Once you make a good relationship with people, they are less likely to change the business routines, because we trust each other. When you make a deal and then you regret, it is very embarrassing and you would lose face to bring it up. (q. C633-01)*

Respondent 7 attached little importance to the contract in maintaining business relationships. Such belittling attitudes were demonstrated by calling the contract “a piece of paper” describing the general terms of the business only. The respondent further emphasised that it was an issue of options for parties involved in the business relationships who choose to honour the contract or to disobey it. He further indicated there were occasions when people changed their minds and tended to modify the contract. When this happened, it was through informal negotiations to set up new terms or contracts and reduce loss occurred.

Respondent 7, then, elevated the need for good personal relationships rather than the contract as a means to stabilise business relationships. Good personal relationships ensured people stick to the business routines historically set up. Trust and

commitment here were used as a “hostage” to oblige business relationships parties to honour their promises. According to the respondent, people were afraid of losing face and being embarrassed to ask for the modification of the contract or initial agreement when personal relationships had developed to a deep level. A personal ethics is employed and face was one important component. Indeed, it is interesting to note that Respondent 7 never mentioned the use of the law or legal procedures to protect her contractual interests. This may constitute part of the reason why the contract lacked apparent binding power on the relevant business relationship parties. One may ask therefore, what is the role of the law in Chinese respondents’ business relationships?

The researcher: *How do you resolve conflicts? How about the law?*

Respondent 6: *No, I rarely use the law... Some buyers do not pay me on time or the full sum of money. If they choose to do so, I do not think I can do anything about it... it costs too much to hire a lawyer or go to court ... It costs too much time, energy and money. I still have to find connections in the law department and ask for their assistance... Even then you cannot 100% guarantee the result that you want. Furthermore, if you really push those debtors into a corner, they will give you nothing back and I can do nothing about it. Even if you get a favourable verdict from the lawsuit, they may still not pay for it. And the court can do nothing ... Unless people do very bad things, I do not think most business people will go to the law to sort out their issues. If we negotiate with each other, I might not lose that much, the most important thing (when doing business) is dealing with the right person and having good relationships. (q. C633-02)*

According to Respondent 6, the reluctance to resolve conflicts with business partners through the law or legal procedures is due to a number of reasons: Firstly, as we see here, the respondent considered efficiency issues since it cost too much in terms of money, time, and effort. It was difficult for small business entrepreneurs to afford this, especially since the application of law and formal legal procedures could not guarantee the desired results. A routine that Chinese business people are reluctant to appeal to the lawsuit to resolve conflicts. According to this respondent, for example, the law is interpreted as a punishment of illegal behaviours rather than a means to protect fairness, justice and their own legal business interests. Furthermore, the

respondent added that the informal procedures of conflict resolution were often of more use in protecting her business interests.

While this was the current situation, more than half of the Chinese respondents voiced a belief that the legal system in China would be increasingly influential and that business people would increasingly honour the contract. So while they argued that the “right business relationships” should honour the contract and adhere to the law, it is an interesting finding that the majority of Chinese respondents still tended to belittle the role of the contract and law in building business relationships. When the researcher inquired why they believed there was an increasing importance attached to the law and the use of the contract, they answered that they got their ideas from the TV, newspaper, and other media. These, then, provided the source for new “cues”. Though Chinese respondents increasingly noticed these cues, most of them would not bracket and involve them for their sense-making of the business relationships as they expressed that they were of limited use for their enactment.

6.3.4. Price and Quality Concerns

When initially, the majority of Chinese respondents’ claimed that quality and price were important concerns for them in building business relationships, but as the interview conversations proceeded, the researcher found that the concerns were addressed differently by Chinese respondents. One third of the respondents announced that price and quality were of great importance in building their business relationships and would affect personal relationships. Two third argued that quality and price concerns were second to the importance of personal relationships and thus, less significant. This study provides detail regarding how these concerns as cues were extracted to assemble plausibility or discarded or ignored by Chinese respondents in their sense-making of business relationships.

The researcher: Can you give me some more details regarding the importance of price and quality concerns on your business relationships?

Respondent 17: One significant concern within my business relationships were price and quality. I had very good relationships with one manufacturer. He was sincere to do business with and responsible for his products. He continuously provided me with

good price and good quality staff. I had very good sales. In this trade, now there are many competitors producing the same type of products. I chose to stay with him... I believed him. He would not cheat on me. Some of the manufactures provide you with good staff at the beginning then give you an inferior product. He would not. We were friends for years; we know each other very well... I am not going to buy from others as long as he still treats me sincerely.

The researcher: *How about if you found lower priced and better quality product?*

Respondent 17: *I will still stay with him. As I say, we had very good friendship and he has not done anything seriously wrong. His product can still produce good sales. Indeed, he knew what kind of products were in the market. He always give me good price and good products. He needs to maintain the brand and reputation of his products as well. I can assure you of that. (q. C634-01)*

Respondent 17 incorporated price and quality concerns into the construction of personal relationships and hence, business relationships. He extracted cues in relation to culturally rooted *guanxi* relationships and the ethics of capitalism regarding price and quality of products. It is noticeable how this respondent combined these cues and assembled plausibility. In his description, mutual trust and commitment were developed through years of interactions and hence formed friendships. One significant aspect of this trust and commitment to the respondent was that the supplier continued to provide him with a good price and good quality product. The reason that he emphasised these concerns was that they were concerning with the sales and thus his business interests. In return, the respondent would not exit the established long-term relationships. The respondent further expressed that the good personal relationships would prevent business partners from the opportunistic behaviours of seeking lower price and better quality elsewhere. However, he also suggested that his business partner should know the market situation and provided “good price and good quality” in order to maintain their friendships.

In addition, the respondent verbally connected the quality and price concerns with the personal moral standards of his business partner – “He would not cheat on me.” Such a connection assumes that once the business partner broke his promises on price and quality, the respondent could understand the behaviour as cheating behaviour which

thus affected the personal relationships and business relationships between the parties. Interweaving these extracted cues, this respondent provided an explanation why he combined quality and price concerns, personal relationships, and subsequently, business relationships. This thinking pattern was shared by another six respondents (e.g. Respondent 15 at q. C631-01, q. C631-02). However, there was one respondent whom suggested that he separated business relationships and personal relationships, though this proposition was conflicting with a later statement he made.

The researcher: *Can you give me some examples of your business relationships?*

Respondent 13: *We did business a couple of times. He proved himself as a trustworthy business partner...He lowered the price for me; the quality (of products) was good and the most important thing was that we never argued with each other about the money.... He introduced customers to me and I did the same thing back... He gave me lots of suggestions not only about business but also my personal life. He helped me a lot in the most difficult time of my life, both in business and in life... He is my true friend ...*

The researcher: *Can you give me some details of problems?*

Respondent 13: *There are some problems before. For example, a close relationship will cause difficulties in normal business, such as disagreements on the price or arguments about the quality, or issues related to the money... I feel uneasy raising them... I talked with him though. We decided that we were still honest with each other. A friend is a friend; business is business. We would not let business relationships be affected by our friendship and vice versa. That is how people do business in the UK or US, right?*

The researcher: *But early you say you use guanxi relationships to do business?*

Respondent 13: *That is not a conflict. I mean in specific business transactions, we have to be honest. Even if we are friends, we are businesspeople as well. We have to think about our business. So being honest is good for us to maintain relationships. So we talked about price and quality and money. I think I just want to say our relationship was a good friendship, but we can talk about business as businesspeople and with less personal emotion involved. (q. C634-02)*

Respondent 13 verbally enacted an environment, where price and quality were important concerns in his relationships with the business partners and that these concerns were interweave into the building-up of trust and commitment in the reciprocal relationships both at business and personal levels. However, there were also examples of where price, quality and money issues caused conflicts between personal and business relationships. According to this respondent, close personal relationships put him into an ethical dilemma: he felt difficult to complain about issues in relation to the quality and price, while such issues caused damage to his business interests. To make sense of this dilemma and work a way out, he extracted a cue from a template of relevant Western business practices – “A friend is a friend; business is business. We would not let business relationships be affected by our friendship and vice versa”. The sense-making of this respondent reflects similar features to those reflected in the statement of British Respondent 6 (q. B534-02). This suggests an influence from the changing economic norms and values due to the economic transition. This extracted cue however conflicted with the one Respondent 13 selected previously in relation to the importance of *gunaxi* practices in business relationships.

To address this conflict, Respondent 13 announced that he separated business relationships and personal relationships for a more honest dialogue with his business partner. It is interesting to note that he referred to Western business relationships to build up plausibility – that was, in his words, profits and growth based rather than influenced by personal relationships. The price, quality and money concerns might press him to engage in a more open and honest dialogue with his business partners. Nevertheless, according to his statement, the personal relationships would still play an important role in his business relationships. Thus, this suggests that, instead of keeping the business relationships separated from the personal relationships, this respondent revised the way that he communicated at the personal level by introducing a more open and straightforward dialogue. The purpose was to promote his personal business interest and sort out the problems of conflicts between personal relationships and business relationships and regained internal locus of control. He informed his ethical stances as “our relationship was a good friendship, but we can talk about business as businesspeople and with less personal emotion involved”. As a result, he

constructed his identity as a friend as well as a businessman, and struggled to counterpoise the conflicts between these two identities.

Other Chinese respondents argued that different context evoked different ethics – the importance of price and quality concerns differed across their relationships with different types of business partners.

***The researcher:** Can you give me some more detail regarding price and quality concerns within your business relationships?*

***Respondent 14:** There are different situations, I think. When we worked with public officials or managers from state-owned enterprise, we cared less about the quality and price. It would take more time to smooth the relationships. The way to do business with them focuses more heavily on the relationship and emotion cultivation. You must have very good relationships to get the deal. Working with the private businesses, they might care more about the price and quality, care more about how to get things done quickly... It is not that huge a difference I am talking about. You must have moderate quality for the business with the public projects at least. If not, you will put those who gave the deal into trouble. Some of the private business customers might care less about the quality and want cheaper product. To us, we were flexible to meet all kinds of needs... Basically, personal relationships were important, and then you knew what the people really needed, and could see what you could do. (q. C634-03)*

Respondent 14 reflected that his business practices were varied according to different type of business partners he was dealing with. According to him, conducting business with public organisations needed more attention to be paid to personal relationships, while those with private businesses demanded him to focus more on the price and quality. However, Respondent 14 did not think that price and quality concerns were conflicting with personal relationships, as he described that “[i]t is not that huge a difference I am talking about.” The respondent finally emphasised that the personal relationships were still of critical importance, which provided the relevant information to support the different strategy required to build business relationships.

In the above two sections, this study has presented the findings in investigating the way, in which Chinese respondents made sense of their ethical situations and issues in relation to employment and business relationships in the specific cultural setting, in particular, how they extracted cues, assembled plausibility, constructed identity and form their ethical stances. The next section now examines entrepreneurs' relationships with government.

6.4. Government-Business Relationships

This section specifically reproduces illustration quotes and discusses explores Chinese respondents' sense-making their relationships with Chinese government and officials.

6.4.1. Powerful Role of the Government

All Chinese respondents admitted that the government played a powerful role in their organisations. They described that the government as ruler, was located at a higher ranking than them and it was a taken-for-granted power and authority. Even though they expressed that they were less controlled by the government than before, the respondents still emphasised that the government remained influential in many areas of their organisations. These areas were the allocation of public resources, disposition of public assets, public authorities influence on financial loans, licences, importation and exportation, fines, fees, and taxations. In emphasising these powers, all Chinese respondents collectively enacted an environment, where there was a big power distance between the government and entrepreneurial organisations.

***The researcher:** What do you think the role of the government is in terms of their relationships with your business?*

***Respondent 2:** Government is very powerful. Taking the store tablets as an example, we used to make the signs freely. Since last year, we had to change all the signs. It is a compulsory requirement by the municipal government. All the old signs had to be taken down, no matter how much you spent on them. The characters were required to be prominent with lights on in the night time. Each sign cost lots of money. All the stores on the street were small shops. If you did not take down the sign, they just sent people and took them down themselves. See, they are really powerful, aren't they?*

They are officials. We are just common people... there is an old saying – “common people shall never fight with government.” Of course we had to listen to them...(q. C641-01)

Respondent 2 extracted cues from the traditionally rooted government-business relationships. He took for granted that the government, as the ruling party of the relationships, possesses the power to make orders and modify the rules. Despite the strong dislike of specific rules, the respondents admitted that he obeyed rather than challenged the decisions made by the government. While describing these governmental behaviours as unfair and ethically wrong, the respondent, did not reported any alternative choices or propose any counteracting strategy. He thus practically discarded this cue in his sense-making, since it could not contribute to his argument of a powerful government. He emphasised his deference to the government and explained by citing the old Chinese motto “common people shall never fight with government” that “we had to listen to them.” Through assembling these cues, this respondent built up plausibility for his argument – the government was too powerful to fight with and he should be obedient to it.

Respondent 2 illustrated what all Chinese respondents reported – that was, they were lacking any effective institutional protections from the infringement of a powerful government. They constructed their identities as the disadvantaged group when conflicts arose in government-business relationships the obedience was taken for granted by them. There was only one Chinese respondent who mentioned her experience in fighting against the administrative decisions from the government.

The researcher: *Can you give me some details regarding the conflict?*

Respondent 16: *The government just treated us as inferior and asked us to do whatever they wanted. We (private business owners) did not get enough respect and our interests were not well protected...We had a millions of Yuan worth contract with our customers to have an advertising board...The municipal government pull down ours for their projects and city planning. We complained. They did not listen... We sent people to protect our project. They were in conflict with the government people. The police detained our people...We appealed to the higher authorities. No answer*

was given. Finally this ended up with nothing definite...They did not pay anything as compensation. The government is too powerful to fight with...what we can do is doing our best to avoid getting into any trouble with them...we have to have good relationships with them. (q. C641-02)

Like Respondent 2, Respondent 16 extracted cues in relation to the power role of government to explain her relationships with the government. She made sense of her fighting experience with the government. She claimed that she was justified to defend herself from the infringement of government by taking a number of formal and informal measures. Yet, this respondent was frustrated by the results and thus used her experience to build up plausibility for her argument that “the government is too powerful to fight with.” She made sense of the frustrated experience and reproduced the plausible story. She informed the researcher the template for her relationships with the government – that was “what we can do is doing our best to avoid getting into any trouble with government” and “make good relationships with them.”

6.4.2. Relationships with officials

The majority of Chinese respondents reported that their relationships with public officials were less important than before. Chinese respondents’ ethical stances to their relationships with officials differed. Some of the respondents (5 out of 21) suggested that they should positively build good relationships with officials in order to have powerful alliances. The perceived powerful role of government was listed as an important motivation for these respondents to make good relationships with public officials. Some respondents (9 out of 21) argued that they should avoid contacts with officials and follow the formal procedures to get things done. Others (7 out of 21) took the flexible way: they would not positively seek to build relationships with officials; nevertheless if it was necessary, they would seek to do so. The various responses may be a result of the decentralisation of economic and political reform and increasingly comprehensive legal systems. There were thus conflict values and norms regarding what were “legitimate” government-business relationships. Under the influence of these institutional forces, Chinese respondents engaged in the sense-making process and expressed diversified templates of interacting with the officials. Further discussion was carried out to explain these findings.

The researcher: *What do you think about your relationships with officials?*

Respondent 8: *I had very good relationships with them. It was not that difficult (to have good relationships with the government)... They were very helpful to me. For example, I needed a few licences for the buses of my company. It was very urgent and it will cost me about three months to get them. When you know somebody inside, they just use a week's time to get things for me. When you open a company, the most important thing is to have connections with all the people who can help you. The more friends you have, the more possible you succeed.*

The researcher: *How can you maintain relationships with them?*

Respondent 8: *Apart from the position and power they have, they are just human beings, same with us. They have their needs, desires, ambitions, and fears. They have things they like and dislike... just do what they like. They like socialisation, take them to restaurant, karaoke or Spa. They like something, just give them. If you treat them like friends, they treat you the same way back. I did not really feel that I was shorter than them when I dealt with them. I respected them, they respected me. I helped them, they helped me... (q. C642-01)*

Respondent 8 considered that it was important to have good relationships with government officials. He made sense of his past experience in having relationships with the government officials based on power exchange. He used it as a cue to support his argument. The cited example showed that the helps from officials could bring substantial benefits to his business – here, he passed the licence approving procedure very quickly. However, it is noticeable that the latter half of this statement shows that the respondent might get involved with a number of unethical business practices. In the statement, the respondent does not show any ethical concerns regarding these issues, neither the constraints from the law. He had seen these practices as normal and attributed them to taken-for-granted routines; and power exchange was part of the reciprocal behaviours of friends and thus was legitimate. As “the more friends you have, the more possible it is for you to succeed”, the respondents propounded that he should positively seek to build relationships with public officials. By extracting these cues, this respondent built up plausibility for his argument.

However, more than half of the respondents (11 out of 21) saw the power exchange based relationships with officials as unethical, illegal and unnecessary. Some of them (9 out of 21) further claimed that they cut off their personal relationships with officials and followed the formal procedures in the government-business relationships. This shows that ethical terrain had been reworked and the chain to the past had been broken. These 11 respondents thus made sense to address the surprise and engaged more into plausible story creation. The statement of Respondent 13 provides a good example.

The respondent: *How about your relationship with officials?*

Respondent 13: *I do not have a relationship with officials. Before, it was impossible that we could do business without a good relationship in the government. They had power to control everything. I do not have much of a relationship with the government or officials now... I just follow the rules and procedures, and do business according the system. Lots of things, I could do successfully without contacting with government and officials. Just be patient, it may take some time but you do not need to make relationships with anyone. Just follow the procedure. I did not need to find troubles for myself... I did not need to give them money, read their mind, and try my best to please them. I have to say now I feel I was more respected than before...I think the situation is improving. As the law and regulations become more developed, our relationship will become more normal. They will treat us more equally and respectfully... (q. C642-02)*

Respondent 13 offers an insightful and typical account of the ongoing shifts in this crucial relationship, and as part of this, the ethical considerations. Here, a perceived ongoing change of government/official-business relationships from comparing the current situation with the past means that now “[l]ots of things, I could do successfully without contacting with government and officials.” Respondent 13 reported that he perceived that the government/officials’ power upon them was declining. Importantly, he further propounded that the development of the legal system would further promote the declining influence of government and officials on their business.

The statement also shows that the sense-making of Respondent 13 is influenced by a different template of government-business relationships to that from Respondent 8 (see q. C642-01). Respondent 8 explained the officials were very helpful to him and thus it was important to maintain official-business relationships. In contrast, Respondent 13 propounded that the normal government/official-business relationships did not need unethical practices and “you do not need make relationships with anyone. Just follow the procedure.” Respondent 13 further argued that it was more normal that “They (officials) will treat us more equally and respectfully.” There was the third aspect to official-business relationships expressed by Chinese respondents, different to those identified in the statement of Respondent 8 (q. C642-01) and Respondent 13 (q. C642-02). This stance was based on efficiency considerations.

***The researcher:** Can you explain what you mean by the cost of the relationships with officials?*

***Respondent 14:** Sometimes, you have to consider whether it is worth (building relationships with the government)... It is getting more and more expensive (to have relationships with officials)... It costs a lot for the dinner, the drinks and later, gifts and kickbacks, with whoever helped you do the business... If the profit could not even cover the costs of what I paid out... it was not worth me working on the relationships. Furthermore, apart from the money, you have to think about other costs like (but also) the time, the health, and the mind to take care everything, the energy, (and) the pressure. If it is not necessary, I am not going to contact officials. (q. C642-03)*

According to this respondent, the efficiency consideration motivated him to take flexible stances in relation to government-business relationships. The respondent admitted that building relationships with officials cost money, time, health, and mental effect. Thus, he had to do the profits evaluation and “consider whether it is worth doing some business.” If the profits were not appealing or the cost was too much, the respondent expressed that he would be less likely to engage into official-business relationships.

6.4.3. The Legal Perspective

The majority of Chinese respondents claimed that the legal institutions would play an increasing role in regulating government/official-business relationships. They suggested that the officials would be increasingly legally bound and their relationships would be progressively more formal. Despite the above claims, though, most of respondents expressed that they would choose informal procedures or personal relationships to resolve issues emerging in government/official-business relationships. This may be because the whole situation in China was undergoing transitions. Other respondents stated that they would choose to comply with decisions of the government or officials, no matter what happened. This section discusses this in detail.

The researcher: Why do you not go to the law to defend yourself?

Respondent 16: The government made the law. I do not think the law can change the decisions of the government. The law may be influential on the common people or businesses but not the government. Besides, all government departments were defending each other. I do not think go to the court could make any differences. You had to accept that confronting government would not bring any good to you. If you want do something, I think the only possibility of sorting out this kind of problem is if you got an important person working inside the government. May be he can say something for you... (q. C643-01)

According to this respondent, the government as a source of the law would be above the law and this was produced by the government instrumentally to govern common people or businesses; thus the law could not change the decision made by the government and could not effectively regulate the issues between government and the business. Law was described by the respondent with limited influences on the behaviour of the government. Hence Respondent 16 enacted verbally that private business people should either choose to comply with the decision of government or have a powerful alliance within the government to influence the decision-making process. Similar to Respondent 16, all other Chinese respondents also admitted that

the government played a powerful role in their relationships with business. They however, admitted there were changes in government-business relationships.

Most of Chinese respondents stated that there was an increasing influence from the law and legal regulations on government/official-business relationships (e.g. Respondent 13 at q. C642-02). They reflected that the powerful role of government remained but with less influence in business life than before because of the increasing developed legal infrastructure. They expected that the government and officials would increasingly work with system and the law, though they still took for granted that the role of the government was above the law.

The researcher: *How is your relationship with the taxman?*

Respondent 2: *I think it is much better now. Before, they were rather hard-lined and look like we were inferior to them. Now when they come, they had much better attitude and seemed friendly. They needed our money. They had to collect according to the rules and laws. If we said that we did not have that much money. They could do nothing about it. The taxmen had workloads for each month. They had to collect a certain amounts of money. If they could not finish their work, they would be in trouble. In this sense, they were begging us to give them money. The relationships were much better...With officials, you just follow the rules and do not confront them; I think everything will be ok.*

The researcher: *How about the tax you paid?*

Respondent 2: *No one paid full tax. It was too much money to pay. We just paid some of them. Every business did it like that. The taxmen had to work with the rules. If they did not have any proof, they could not just ask us to pay. They had to levy tax according to our sale. If we did not pay more, he could do nothing about it. Sometimes they would negotiate with us. We might pay a bit more. See, it is just like they are begging us. (q. C643-02)*

Respondent 2 made sense of the ongoing changes of officials' attitudes to him. According to the respondent, the past official-business relationships featured with big power distances, while current relationships were much improved and officials tended to be friendlier. The respondent extracted two cues to account for the changes of officials' attitudes. One reason is that the legal systems were getting stricter to make

the officials to carry out their duties increasingly within laws and regulations. The other one was that the administrative assignments of the officials were now evaluated by the amount of tax collection. For their own political career, the officials had to lower down their postures and be friendly to them. By interweaving these two cues into his sense-making, Respondent 2 rationalised his changing stances – he had a more equal status to interact with officials and the government/official-business relationships were improving.

However, the latter statement of Respondent 2 also reflected that the legal system was still underdeveloped. The respondent admitted that there was tax evasion or cheating behaviours. The perception of the respondent showed that he did not feel what he did was wrong and argued that “No one paid full tax. It is too much money to pay.” He also pointed out that the tax officials could not do anything about it but to apply to informal procedures of negotiation for the sake to their own duties. However, this respondent did not notice and bracket cues regarding ethical constraints from the legal perspectives. This showed that the law and legal institutions did not possess sufficient binding powers on the respondents in those relationships with government and officials. This also partly explains why some Chinese respondents ignored the law and engaged in the unethical practices with officials for the power exchange (q. C642-01). However, the researcher by no means implies that the personal relationships with officials are all unethical.

Considerable amounts of examples given by respondents were used to build up plausibility for the argument that the government/official-business relationships were not necessarily related to ethical issues nor were they all illegal. Officials as one of the most important social members possessed extensive social experience, knowledge and enormous social resources, which was considered conducive to entrepreneurs’ businesses in terms of providing relevant information, marketing, human resources and general business management advice. Officials worked as an agent or advisor to entrepreneurs. Their relationships were private and not work or power related. Thus these respondents argue that some government/official-business relationships were legitimate as they were not against law. They thus enacted an environment, where

they could engage in building relationships with officials without worrying falling into ethical dilemmas.

Researcher: *How about your relationships with officials?*

Respondent 3: *I had very a good relationship with one official... He worked in this trade for a long time and knew this trade well... He knew a lot of businesspeople in the trade and introduced a lot of new business for me... he was very helpful... I made friends with him not because of his position. He was very good to me, treated me like his younger brother... He gave me a lot of suggestions, which were very important at the beginning time of my business... my relationship with him was not job-related. I think it is more like friends... He was very cautious in relation to his position. I would have some banquet with him and gave some gifts... But it is not like bribery, because the favour he provided was not related to his position and ... it is more like reciprocity friends. He did me favours, and I returned some. (q. C643-03)*

The respondent argued that it was ethically acceptable to develop government/official-business relationships provided that the relationships were not related to officials' position and powers. He stated his relationships with the official were private and a type of friend-to-friend rather than official-business relationships. The way he developed the relationships was similar to the way he developed friendships. Notably, he identified himself as a younger brother, appreciating the kind care from seniors, but also shift the whole exchange into the private realm. It is noticeable that according to the respondent, the official entered the relationships as a friend rather than a powerful and dominant party in the relationships. The position and power was not abused to trade with money or for personal benefit. This respondent described the officials as providing help as a business advisor or business agent rather than public officials. He thus built up plausibility that it was legitimate and ethical for him to develop the specific government/official-business relationships.

6.5. Conclusion

This chapter presented findings regarding entrepreneurial business ethics and relevant sense-making experience in China. Main themes emerged through an analysis of interview data related to ethical topics in the relationships between Chinese

respondents and their main stakeholders, namely employees, suppliers, customers and the government. Ethical issues were identified and the analysis focused on respondents' sense-making in addressing these issues. Like on British respondents, the entrepreneurs' characteristic of need for achievement, locus of control and self-efficacy had significant influences on Chinese respondents' making sense of their ethical situations and issues. Entrepreneurs' expression of these characteristics however became less frequent when they dealt with social relation who possessed increasing power and higher status. In addition, the way, in which Chinese respondents made sense of these issues shows that they rarely shared common templates on the relationships with these main stakeholders. That was because located in a transitional economy, Chinese respondents had to draw cues from a complex institutional environment, characterised by conflict values and norms. This made the sense-making a rather difficult job. The emerging diversified templates of relationships demonstrated that the institutional environments where the respondents are located were more complicated and contradictive in contrast to British ones. Among environmental forces, culture played an important role in Chinese respondents' extracting cues and constructing plausible stories. The sense-making of Chinese respondents gave particular attention to the role of power, status and personal relationships. That was because contractual and legal intuitions were of limited from an underdeveloped infrastructure of marketing economy, particularly legal infrastructure.

In the employment relationships, motivated by profits and business growth, Chinese respondents engaged in activities of constructing the employment relationships. Their management activities were characterised by both authoritarianism and benevolence. These paternalistic employment relationships were interpreted by the respondents as necessary for their organisations. On the other hand, there was evidence suggesting that Chinese respondents also attempted to use motivation skills to encourage willing and enthusiastic work from employees. However, the underdeveloped legal infrastructure compromised the effects of employment law and other institutions. Thus the employment relationships were reflected by most of the Chinese respondents as an internal affair and characterised by informal negotiation rather than formal contracts and laws.

In business relationships, Chinese respondents all emphasised the importance of personal relationships in building relationships with suppliers and customers. They distrusted their business partners and thus emphasised the personal relationships to clarify business obligations and rights and resolve conflicts. Chinese respondents also revealed that they valued price and quality concerns. However, their explanations are varied and show clear conflicts. Law and legal institutions were argued by most Chinese respondents as having no, or limited use in their business relationships.

In the government-business relationships, Chinese respondents admitted that the government were still powerful and influential. However, the expressed respondents' stances to the relationships with officials differed. This suggests that economic and political reform as well as legal system development is underway and impacting upon entrepreneurs' templates of the relationships with the government and government officials. So while Chinese respondents stated that the law and legal institutions were of limited use for them in dealing with the government and officials, there were changes: the changing attitude of officials, the increasing reliance of formal procedure and decreasing reliance on personal relationships were cues extracted by them to and incorporated into their enactments. Most of Chinese respondents stated that government and officials were increasingly behaving within the boundaries of the law and legal regulation, and that this would play an increasing role in regulating government/official-business relationships and mitigating the power they held. The findings in the analysis of the Chinese sample were fruitful and insightful and contrast with the findings from the analysis of British entrepreneurs. In the next chapter, this study compares and discusses the findings from both research sites in order to gain further insights on the topics of entrepreneurial business ethics in the cross-cultural contexts.

Chapter 7 Comparing and Discussing Business Ethics and Entrepreneurship

This chapter presents the results of the comparative analysis of the process by which entrepreneurs make sense of ethical issues relevant to business actors within the UK and Chinese economies. The focus of comparison will be on the institutional influences that entrepreneurs were observed as subject to, the enactment that entrepreneurs made and the entrepreneurial efforts deployed in relation to identity construction. This chapter begins with the exploration of entrepreneurial business ethics in employment relationships, followed by business relationships and finally, government-business relationships.

7.1. The Ethical Issues Related to Entrepreneurship

In previous sections (5.1. and 6.1.), this study listed a series of ethical issues identified from the analysis of interview materials as well as those listed in the most pertinent existing academic literature. Below is a table listing common ethical issues relating to entrepreneurship as conducted in both the UK and China. Particular issues identified in relation to China are attached in the table where relevant.

Ethical issues related to entrepreneurship

Ethical issues related to entrepreneurship		
Employment relationships	Common issues	<p>Entrepreneurs oblige employees to work long working hours, offer low payment for overtime, and less holiday and benefits; They show a disregard for employees' interests; sacrifice employees' interest for their own; demand excessive workloads from employees; coerce employees to comply with requirements; impose strict requirements on employees; disrespect employees' independent opinions; dismiss employees who they felt unsatisfied with; do not provide written employment contracts; infringe employees' legitimate rights, including rights against unfair dismissal; and have low level of awareness of relevant legal regulations.</p> <p>Employees may have issues of absenteeism and abuse of the use of corporation property.</p>

	Particular issues in China	Entrepreneurs do not set up social insurance schemes; pay wages lower than the legal regulations require; do not pay for overtime worked; ask for the service of their employees in non-work related matters; intervene in employees' private matters; use informal procedures to deal with conflicts; disrespect the terms of employment contracts; do not adhere to relevant employment regulations. Employees may be involved in issues of theft, sabotage and corruption.
Buyer-seller relationships	Common issues	Conflicts involve quality, price, correctness of information, terms of contracts; issues concerning honesty, fairness and integrity of business partners; distrust and suspicion of business partners; issues regarding low product quality, unfair prices, breach of contracts, use of contract loopholes, making of false promises, non-fulfilment of contract obligations, cheating on and delaying payment, disrespecting contracts, failing to meet customers' expectations, absence of quality guarantees, informal procedures utilised to deal with conflicts, and low level of awareness of relevant legal regulations.
	Particular issues in China	Issues consist of disrespecting contract terms, kickbacks, gift giving, business banquets, malicious debt, absence of quality guarantees, absence of or delaying after-service, low quality products or services, faked brand name products, false advertising, and lack of legal protection, and not adhering to relevant legal regulations.
Government-business relationships	Common issues	Issues concern indifference to involvement with government programs, tax evasion, and low level of awareness of legal regulations.
	Particular issues in China	Issues comprise of unfair treatment, unjustified infringement of interests, lack of openness and transparency, jobbery, kickbacks, gift giving, banquets, bribery, tax cheating and evasion, remaining silent or appealing to informal procedures to deal with conflicts, and not adhering legal regulations.

There are a number of common ethical issues identified in the process of entrepreneurship in both the UK and China. Such significant numbers of common issues suggests that the economic transition of China has impacted greatly on entrepreneurs' ethical stances and their sense-making of the social relationships. Such impacts may have an influence on the emerging socio-economic orders. The emerging homogeneity between two countries seems to support convergence theory (see Section 3.3.3). As a transition economy, China shows changes in business ethics and values in light of the influence from Western countries (Tan, 2002; Bucar *et al.*, 2003). Both British respondents and Chinese respondents share some institutional templates of being an entrepreneur and presented similar features in their enactments. Their

statements demonstrate a strong sense of need for achievement, internal locus of control as well as self-efficacy in their social relationships. For example, regarding employment relationships, most of the respondents highlighted the importance of their employees in terms of business growth and profits. They reported that they used motivating skills (see Section 5.2.3. and 6.2.3.) as well as management activities, including supervising, monitoring, directing and dismissing (see Section 5.2.2. and 6.2.2) to press on employees for more contributions to their businesses. The expressions of these respondents show a common stance – treating the employees as the means to an end (i.e. entrepreneurs’ business interests) with relatively less attention paid for employees’ independent human status. Taking-for-granted the importance of their business interests in employment relationships, these respondents described their measures for increasing internal locus of control and self-efficacy in directing the employees to serve to their business purposes. The homogeneities of sense-making have been found in the ways they extracted cues, built-up plausibility, enacted environments, and constructed identities.

However, there are also a considerable number of ethical issues identified as particular to Chinese entrepreneurship and distinguishable from those encountered in the UK. In all cases, historical – cultural aspects are invoked. Respondents extracted cues from their own environments, and thus their interpretations and enactments are characterised by cultural and historical imprints. For example, Chinese respondents took for granted and enacted that they could ask for the service of their employees with regard to non-work related matters; that they had to give gifts in building relationships, and that they remained being obedient to the government (see Chapter 6). In contrast, British respondents took for granted and enacted that employment relationships were mainly work-related; that personal relationships were separated from business relationships; government supported entrepreneurs rather than controlling them (see Chapter 5). Indeed, even in the common issues, there are also salient differences in terms of sense-making and enactments between respondents in the UK and China. For example, both Chinese entrepreneurs and British entrepreneurs stressed the instrumental importance of their employees in serving to their business purposes and treat the employees as a means to end (see Section 5.2.1. and 6.2.1.). Yet Chinese respondents emphasised more strongly on the authority and power to

oblige their employees to contribute to the business growth (see Section 6.2.2.). In contrast, British respondents conveyed a noticeable reluctance to do so and described it as unethical and against the law (see Section 5.2.2.); they reported that they used motivational skills and an open dialogue to promote employees' working efficiency and thus their productions.

These differences as well as the particular issues identified in China offer some support to divergence theory (see Section 3.3.3) – national culture has a significant influence on business ethics and values, and this seems to adhere to the notion that these culturally specific issues guide business behaviours (Karande *et al.*, 2000). In this study, there are salient differences between British and Chinese respondents in terms of extracted cues, assembled plausibility, enactments and constructed identities. Embedded in their social-cultural contexts, Chinese respondents made sense of ethical issues by extracting cues related to cultural rooted notions, including power, status, and personal relationships. By contrast, British respondents indicated that the legitimacy of their enactments was derived from contractual and legal institutions. However, not all the issues are connected with the influence from cultural institutions. Some of the particular issues in China are concerned with economic and legal institutions, such as entrepreneurs paying employees' wages lower than the legal regulations require; disrespecting contract terms; and bribery of officials. These issues offer some evidence in support of Guthrie's (1998) arguments that the legal infrastructure is not fully established in Chinese society. Chinese business people tend to rely on the business relationship itself rather than the terms of the contracts (Wong & Chan, 1999). Meanwhile, as we see, the law in China is not understood by the relevant business actors as a means of preserving rights, freedom or justice (Liang, 1989).

The above identification and characterisation of these ethical issues shows that the business ethics bound up in entrepreneurship could not be addressed by merely referring to convergence, divergence or legalistic theories – i.e. focusing on either economic, or cultural, or legal institutional environments to account for the homogeneities or heterogeneities emerging in comparing business ethics and values in different cultural contexts. This study agrees with the precepts of cross-vergence

theory (see Section 3.3.3), which propounds that economic actors may integrate cultural and economic ideological influences and create a unique value system therein (Ralston *et al.*, 1993). However, this study goes beyond cross-vergence theory by exploring the process, by which this creation comes into being. This study thus focuses on the individual entrepreneurs, and specifically, how they understand, interpret and respond to ethical issues in different cultural contexts. In the following sections of the chapter, the researcher will further go to the detail of this process by comparing and discussing the process of entrepreneurs making sense of ethical issues in relation to the entrepreneurial relationships with main stakeholders separately.

7.2. Employment Relationships

The following section compares and discusses the sense-making process – in other words, the ways by which entrepreneurs understand, interpret and respond to a range of ethical issues and deal with the ethical dilemmas in the employment relationships specifically – within different cultural contexts, namely the UK and China.

7.2.1. The Purpose of the Employment Relationships

Sections 5.2.1. and 6.2.1. analysed and discussed entrepreneurs' purpose in building and developing employment relationships respectively in the UK and China. This section advances insights by engaging in cross-cultural comparison.

The entrepreneurial characteristics have a significant influence on the ethical stances of respondents regarding the purpose of the employment relationships in both the UK and China. Previous literature answers the question “who are entrepreneurs?” by identifying relevant personality traits in the following terms: need for achievement (McClelland, 1961), locus of control (Rotter, 1966), self-efficacy (Shane *et al.*, 2003), risk taking (Hyrsky & Tuunanen, 1999), and tolerance for ambiguity (Sexton & Bowman, 1985). In contrast to previous literature, this study observes the ways, in which these characteristics surface in entrepreneurs' talk, as well as the process, by which entrepreneurs incorporate these characteristics into cues extraction and display their management of sense-making and ethical reasoning. Among these characteristics, need for achievement, internal locus of control and self-efficacy have been

continuously observed by the researcher in the sense-making and enactment of Respondents from both counties throughout the studied relationships.

This study finds that British and Chinese respondents share particular individualised characteristics in expressing their purpose of building up employment relationships (e.g. q. B521-01, q. B521-02, q. C621-01 and q. C621-02). They are strongly motivated by their need for achievement in terms of profits and business growth and thus generally have an instrumental mode to treat their employees as means to ends. In addition, the respondents present a strong sense of inner locus of control and self-efficacy when dealing with employees. They emphasised that they must have the skill and capability to direct employees in order to successfully maximise their business purposes. Furthermore, respondents from both countries demonstrate a low tolerance of ambiguity, as they reported that they enthusiastically set up rules and systems to motivate employees to contribute to their businesses. The respondents from both countries argued that an important entrepreneurial identity was to direct employment relationships to serve the purpose of profits and business growth. The massive investment in employment relationships in terms of time, effort and money were perceived as rationales for the entrepreneurs demanding a return in these terms from employees.

The respondents' descriptions of employment relationships show their support to the argument of Friedman (1967), which states that profits should be of paramount concern to a business. The respondents from both countries took for granted that it was their responsibility to optimise employees' performance, maximise employees' production and thus increase employees' contribution to their business (e.g. q. B521-01 and q. C621-02). Accordingly, they assumed that employees should focus on their job, contribute to the business and thus realise their value of being employed. Respondents claimed that they created jobs and initialised employment relationships in order to acquire contributions from employees by using their experience, knowledge, skills, or capability (e.g. q. B521-01 and q. C621-02). Furthermore, respondents reported that they enthusiastically engaged in developing employment relationships with an aim of increasing employees' continuous contributions to their business (e.g. q. B522-01 and q. C622-01). Finally, the respondents claimed that they

would terminate employment relationships for reasons relating to the fact that employees lacked the capability to contribute in the manner outlined above (e.g. q. B521-02 and q. C621-01). For both British and Chinese respondents, the main aim of these activities was focused upon achieving success for the business. They attributed on instrumental based importance to employees and – as expected – employment relationships to serve their own need for high levels of achievement.

In addition, organisational characteristics as cues were noticed and bracketed by many respondents and interweaved into their plausible story construction to rationalise their ethical stances to their employees, like some business ethics authors suggest (Longenecker *et al.*, 1989; Spence, 1999). The small size of an organisation and limited capital influences were extracted as the main cue for the respondents to strengthen their arguments that profits and business growth were critical in employment relationships (e.g. q. B521-01 and q. C621-01) – in this way they fashioned plausibility. Respondents were aware of the risks of detrimental employment relationships to their organisations and relative business interests (e.g. q. B521-02 and q. C621-02). Hence respondents from both countries stressed the output and practical use of employees and inevitably it seemed that they had to press employees to work in order to achieve equivalent or higher returns.

Moving beyond these expected similarities – although here the focus has been on the nature of the cues and sense-making work of entrepreneurs which is new – significant differences regarding the purpose for engaging in employment relationships have been identified. Chinese respondents tended to emphasise that employees should contribute to the business willingly as a member of an organisation (e.g. q. C621-02). There was a lack of similar expressions in British respondents' statements on this issue. British respondents enacted an environment, where a respect of their employees as individuals with their own interests had been treated as essential to employment relationships and “right things” to do (q. B522-02). Such differences may be attributed to the various influences of collectivism (China) and individualism as relevant cultural dimensions characterising the two nations (the UK). Chen and Partington (2004) indicate that within collectivist China, employee's personal

interests and goals are subordinate to those of the organisation, whereas in the individualist Western societies, priority is usually given to self-interests.

In addition, Chinese respondents generally tended to be more open in talking about their financial gains to be made through employment relationships than their British peers (e.g. Comparing q. C621-01 with q. B521-02). Chinese respondents spoke more freely and were bold in talking about using employees to achieve their own purposes, while the British respondents, at most, would mention the financial pressures resulting from employment relationships and their efforts in improving the contributions of employees. These show the different levels of plausibility were received and conveyed by the respondents from the UK and China. Nevertheless, Chinese respondents somewhat often mentioned their measures used to improve the financial performance of their employees. It is notable that this difference is not expressly explained or identified within the existing literature, but may connect to respondents' desire for instant financial success which was socially valued but scrutinised less vigorously with little social and ethical attention paid to how to achieve such success.

Furthermore, the emphasis placed on hierarchy and obedience suggests that Chinese respondents' accounted for the purposes of employment relationships by extracting cues from culturally rooted institutions, which is related to relationships between different ranks and characterised by large power distance. Chinese respondents constructed their identity as "superior" with taken-for-granted authority and power over their employees, who are described as "subordinates" respecting employers' higher status in ranking and obeying their lead. The cultural dimensions proposed by Chen and Partington (2004) and Hofstede and Hofstede (2005) provide some empirical support in the differences presented between Chinese and British respondents (e.g. Comparing q. C621-02 with q. B521-02). Chinese respondents emphasise the importance of hierarchy and obedience in directing employment relationships in order to pursue their need for high levels of achievement; while British respondents insist that there are no hierarchy or power distance in their employment relationships. Such differences in sense-making and enactments influence our understanding of the respondents and their respective employment management styles. It was more complex, since nine (out of 15) British respondents

accounted for employment relationships by extracting cues characterised by a stronger role of entrepreneurs as employers and rationalise their “legitimate rights” in supervising, monitoring, directing and dismissing employees. This complex will be addressed further in the next section.

For both British and Chinese respondents, when they addressed employment relationships by extracting cues regarding their own need of achievement, they enacted an environment, where employees were attributed with instrumental importance and served as a means to their ends (mainly business growth and profits). They generally constructed their identity as employers who were with taken-for-granted obligations and rights to direct the employment relationships to serve their own purposes. Respondents from both countries stressed the output and practical use of employees and pressed employees to work in order to achieve equivalent or higher returns. This study further compares and discusses the respondents’ ethical stances and sense-making in managing their employees, as reflected in their recorded statements in the next section.

7.2.2. Managing Employees

This section compares and discusses how British and Chinese respondents made sense of their owner-manager identities and constructed their relationships with the employees.

The owner-managed organisational characteristics have been extracted as an important cue by respondents from both countries to rationalise their behaviours of pushing their employees to work for their purposes. The need for achievement specifically motivated them to act. They particularly emphasised that they had paid, equipped, and trained employees and invested massively in employment relationships in terms of time, effort and money. Thus they built up plausibility for their argument that they are entitled to manage their employees in order to increase the productivity and contribution of the employees, representing their return on such investment (e.g. q. B521-02 and q. C622-01). The differences in uncertainty avoidance dimensions (Chen & Partington, 2004) are not identified by the results of this study. On the contrary, respondents from both countries described their efforts in clarifying the contributory

role of employees within their respective organisations. Both British and Chinese respondents reported that they engaged in the activities of managing employees' work, including setting up work plans for employees (e.g. q. B522-01 and q. C622-02); supervising and monitoring (e.g. q. B522-02 and q. C622-03); directing and criticising (e.g. q. B522-03 and q. C622-01); and dismissing employees (e.g. q. B522-04 and q. C621-01).

The descriptions of these activities provide support to Kets de Vries's (1985) argument that personal characteristics of entrepreneurs may include the scope to go to the extreme and are presented as dark parts of entrepreneurs: a sense of distrust, overreactions, and an acute desire for control. Both British and Chinese entrepreneurs disclosed their experiences in walking the ethical boundary of being tough with their employees. Although the general reflection from the respondents' description does not fully fit in "the extreme" proposed by Kets de Vries's (1985), there are reported occasions where respondents either demanded excessive workloads from employees; or coerced employees to work overtime; they also imposed strict requirements on employees; or disrespected employees' independent opinions; compelled employees to comply; or dismissed employees who they felt unsatisfied with.

British and Chinese respondents complained about their employees and showed a sense of distrust with regard to them. They extracted this as a cue to support a stronger role for entrepreneurs, who took actions to protect themselves. The majority of respondents from both countries complained that the employees lacked enthusiasm to work in their organisations (e.g. q. B522-02 and q. C622-03). They were suspicious of the autonomy of their employees and criticised their working attitudes. The respondents from both countries described employees' negative working attitudes or behaviours as the result of employees' self-interest centred values. Motivated by this extracted cue and their own interest, most of British and Chinese respondents rationalised their actions of managing employees, particularly given that their employees lacked skill, capability or knowledge (e.g. C622-03 and C622-01). They explained that they had to set an example to their employees in terms of how to work "properly" and "correctly." Most respondents from both countries constructed their identities as employers in control and demonstrated strong sense of self-efficacy in

their own authority, knowledge, skill, and capacity to manage employees. For example, a British respondent commented “If you have not got the skill yourself in that trade, I do not think you can make it” (from q. B522-03).

Though reasons were given by the respondents for obliging employees to work in the manner described above, the rationales given showed great variance in their descriptions of the extent to which the owner-manager could exert their power and authority over employees in different cultural contexts. The cultural dimensions or power distance concept proposed by Hofstede and Hofstede (2005) and Chen and Partington (2004) provides a potential explanation of such variance. Thus the large power distance in China can be viewed as caused by the distinct hierarchy existing between the parties to employment relationships (e.g. q. C621-01, q. C621-02, q. C622-01, q. C622-02, q. C622-03, q. C622-04, and q. C622-05). Chinese respondents generally took for granted that entrepreneurs, as employers, should use power and authority to oblige their employees to work for their purposes (e.g. C622-04). Chinese respondents also generally assumed that employees should show obedience to their employer and revere their greater authority (e.g. q. C622-05). In addition, their statements showed that Chinese respondents shared a common template of good leadership characterised by the possession and exertion of power and authority (e.g. q. C621-02 and q. C622-05). The analysis of the Chinese respondents’ statement demonstrates support for Farh and Cheng’s argument (2000) that leadership within the Chinese private business sector is characterised primarily by authoritarianism. Employers thus possess absolute authority and control over subordinates and employees should therefore be obedient to them.

It is further noted that Chinese respondents’ sense of authority, power and control might be bolstered by the current situation prevailing in the difficult employment markets. They extracted cues from their perception of structural characteristics of employment relationships and thus used them to build up plausibility for their immediate enactment of environments. Some of the respondents emphasised that the current employment market in China was a buyer’s market and there were a large number of people waiting to be employed. The perceived high unemployment rate and abundant labour market were seen by some Chinese respondent as working

directly to their advantage in relation to their existing employment relationships. Some Chinese respondents therefore suggested that the fear of losing one's job might diminish the confidence of employees in confronting their employers (e.g. q. C622-06). Some Chinese respondents refused to improve the working conditions and treatment of employees as they saw the abundant available workers in the labour market (e.g. q. C622-07) as removing any pressure upon them to do so. They expressed that they pay at the lower level of "market rates" and the employees should just unquestionably accept it (e.g. q. C622-10). Some respondents argued that Chinese entrepreneurs were doing a favour for employees by providing them with job opportunities. In return, employees should appreciate their job opportunities and be dedicated to serve the business interests of Chinese entrepreneurs (e.g. q. C622-08). By extracting the above cues, Chinese respondents further strengthened assembled plausibility for their arguments and enacted the environment, where they as employers are with taken-for-granted authority and power over their employees, who should defer to them and follow their lead.

In contrast, the described management behaviours of British respondents possess the characteristics of benevolent autocracy employment relationships defined by Goss (1991) and the report of European Foundation for the Improvement of Living and Working Conditions (2001) (e.g. q. B522-01, q. B522-02, q. B522-03, q. B522-04, q. B522-05). British respondents rationalised their managing activities by extracting cues regarding their observations of proper role and appropriate power as a typical employer in a marketing economy. There were close relationships between the respondents and employees within the employment relationships and the workplace. Power inequality was described and taken-for-granted by the employers and from what they said, seemed accepted by employees as the fact of life.

All British respondents expressed a strong reluctance to mention their experiences in making employees comply with the requirements placed upon them, despite Ram's (1994) observation that employees in small firms in the UK rarely question the employer's right to manage and the primacy of profitability in working for the business. In addition, all the respondents denied the existence of a power distance between them and their employees (e.g. q. B524-01). The contradictive points in the

British respondent's statements show that there are conflicting templates in terms of the role of owner-manager in the employment relationships (see Respondent 6 at q. B522-02, q. B523-02 and q. B523-03 and Respondent 7 at q. B521-01 and q. B523-01). On the one hand, they argued that as the owner-manager, they had the power to make decisions, direct employees to work and even dismiss employees. On the other hand they were hesitant to use such power over the employees. As Respondent 6 put it, "But I do not like to push or order people, (and) treat them like robots. That is not right" (q. B523-02). Respondent 7 further argued that "normality is that everybody else is a human being. So you treat them properly and certainly" (from q. B523-01). The expressions used by Chinese respondents painted a very different approach to that of their British peers in dealing with issues relating to entrepreneurial power and authority on employees.

The authoritarianism presented in Chinese respondents' descriptions of employment relationships were different to Goss's (1991) benevolent autocracy as well as those reflected in the statements of British respondents. Authoritarianism is characterised by significantly large power distances between employees and employers, while their size in relation to benevolent autocratic arrangements were relatively small. First, Chinese respondents took for granted that these large size of power distance entitled them to make employees to work under their orders (e.g. q. C621-02). In contrast, British respondents denied that they had such big power to do so (q. B524-01). In addition, Chinese respondents took it for granted that employees were subordinate and should be obedient to their orders (e.g. q. C621-02). Nevertheless British entrepreneurs accepted more freely that employees were independent and relatively equal as human beings (e.g. q. B524-01). Furthermore, Chinese respondents expressed that their power as employer related to both working and personal relationships (e.g. q. C622-05). British respondents, on the other hand, tended to focus on working relationships alone (e.g. q. B522-02). Finally, Chinese respondents described the relationships more in terms akin to a parent-child relationship (e.g. q. C622-01 and q. C623-01), whilst British respondents quite often referred to their relationships with and employees being one of working as a team with the respective parties having different duties (e.g. q. B522-05).

In addition to the authority and power the respondents perceived they had as employers in relation to their employees, they also displayed a sense of benevolence and responsibility, which is of similarities and differences in both countries.

7.2.3. Caring for and Motivating Employees

In contrast to their reluctance to mention their experiences in obliging employees to act in certain ways, all British respondents felt more willing to talk about their efforts in motivating their employees (q. B523-01). It is interesting to note that more than half of the Chinese respondents expressed similar attitudes when they described their experiences in motivating their employees (e.g. q. C623-01). The majority of Chinese and British respondents emphasised the importance of understanding and communication when building employment relationships. The motivating measures included assisting the employees to integrate into their organisations, realise employees' personal potentials, and promote their respective career ambitions or personal values, build trust and respect, and improve human resource management. In addition, this study notes that there were respondents, who cited examples of the informality in describing the nature of their benevolent stances to their employees (e.g. q. B523-01 and q. C623-01). These measures and their attitudes of talking about them suggested that British respondents, and some of the Chinese respondents might share a common template of a good business leader – that is the effective entrepreneurial leader should be open, candid and employee-centred (Kirby, 2006).

Though similarities were identified, the benevolent attitudes and behaviours of Chinese entrepreneurs contained some particular and unique features. The benevolent stances of Chinese employers were part of the components of paternalistic relationships (Farh *et al.*, 2006). The majority of Chinese respondents expressed that those entrepreneurs as employers should be benevolent towards their employees and demonstrate individualised, holistic concern for their subordinates' personal and family well-being (e.g. q. C623-01, q. C623-02 and q. C623-03). Chinese respondents' descriptions of these benevolent behaviours are in line with the definition of paternalism provided by Goss (1991) and the report of EFILWC (2001). Chinese respondents commonly identified themselves as the leader of the organisation and of higher standing in terms of the relevant power relationships between the parties

(e.g. q. C622-05). Meanwhile, Chinese respondents also expressed that the important task of entrepreneurs is to secure the employees' identification with the employers' aims by building strong personal relationships (e.g. q. C623-01); mutual obligations were frequently involved in both work and personal lives (e.g. q. C623-02). Chinese respondents treated employees as dependants upon them and they had to take responsibility for the well-being of the employees in a wide sense (e.g. q. C623-03). By extracting above cues, Chinese respondents assembled plausibility for their enactment that entrepreneurs should maintain their authority and power over their employees as well as taking personal responsibility for their well-being.

The form of benevolent stances of Chinese respondents differed greatly, then, from those of British respondents. First, the relative scope of power distance (Chen & Partington, 2004; Hofstede & Hofstede, 2005) was extracted by the respondents and incorporated into their efforts towards building up plausibility and their enactments. Chinese respondents described the benevolent stances more like showing kindness as benefactors with a higher ranking compared to the subordinates operating at a lower status, as well as a parental sense of care from the senior to junior (e.g. q. C623-01). In contrast, in the UK, the respondents tended to emphasise that their benevolent acts or behaviour were laid in the respect to the employees as independent human beings (e.g. q. B523-01). They claimed their benevolent actions were more accommodative to empower employees and promote their personal freedom (e.g. q. B524-01).

In addition, the collectivism/individualism cultural dimensions (Chen & Partington, 2004; Hofstede & Hofstede, 2005) were extracted by respondents and thus informed the various benevolent stances towards employees. Chinese respondents emphasised the outcome of their benevolent behaviours was a consolidation of the members' status as employees within the business, increased employees' sense of belonging and responsibilities towards the business and enhanced their enthusiasm to work for the company (e.g. q. C623-02). Nevertheless, the British respondents place greater emphasises on the fact that their benevolent stances were constructed to take care of individual work-related needs of their employees and the result may benefit both parties to the employment relationships (e.g. q. B523 – 01).

Crucially, Chinese respondents took for granted that employees and employers had strong relationships, not only in their work, but also their personal life (e.g. q. C623-03). Thus Chinese respondents' descriptions of benevolent behaviour are much involved with employees' personal life. By contrast, British respondents reflected that they were mainly focused on working relationships with their employees and tended to keep employment relationships that way. Some of the respondents went on to argue that the development of personal relationships might cause damage to the formal working relationships. Respondent 4, for example, states "You have to keep a little bit away because there are times when you might have to criticise or to tell them to do things" (q. B524-02).

Furthermore, Chinese respondents argued that their benevolent behaviours were part of mutual obligations with employees and emphasised the reciprocal return from employees (e.g. q. C623-01). Such mutual obligations go beyond working relationships and involve the personal lives of both parties. Chinese respondents expressed that they expected their employees would return particularly with a more enthusiastic and more responsible working attitude, thereby making more substantial contributions to the business. In contrast, British respondents admitted that such benevolent stances would bring reciprocal benefits, yet these acts of benevolence or encouragement were treated more like motivations rather than measures to bear on mutual obligations (e.g. q. B524-02). It is noticeable that the benevolent stances of British respondents remain in the terrain of working relationships and rarely involve personal relationships.

There are a few more points worth noting with regard to the way, in which the Chinese respondents talked of their benevolent behaviours toward their employees. Firstly, the benevolent stances were understood by Chinese respondents as a combination of benevolent leadership and moral leadership, which is in line with the description of Farh and Cheng's definition (2000). On the one hand, Chinese respondents suggested that the entrepreneurial leader should demonstrate an individualised, holistic concern for subordinates' personal well-being (e.g. C623-02). On the other hand, Chinese respondents argued that the entrepreneur should use these benevolent stances to demonstrate superior personal virtues or qualities that provide

legitimacy as well as arousing subordinates' identification with and respect for a leader (e.g. C623-01). Secondly, Chinese respondents tended to incorporate their behaviours of motivating employees into the benevolent behaviours adopted (e.g. C623-01). Such incorporation might be because these respondents saw these behaviours as part of both their obligations and benefactions owed to the employees. Thirdly, some of Chinese respondents use benevolent behaviours in order to secure the employees' identification with the employers' aims. They emphasise the importance of introducing such mutual obligations in unfavourable business circumstances for example. This is mainly because in China, they argued there was a strong existence of institutional discrimination to working in the private business (e.g. q. C623-02 and q. C623-02). As part of their strategic response to such institutional discrimination, these Chinese respondents suggested that the benevolent behaviours could increase employees' sense of responsibility and increased their voluntary approach to work.

In Sections 5.2.2., 5.2.3., 6.2.2., and 6.2.3., the descriptions of Chinese respondents reveal strong paternalistic employment relationships, i.e. authoritarianism, benevolence and morality (Farh *et al.*, 2006). According to Chinese respondents, they described their roles in similar terms to Westwood and Chan's notion of paternalistic leadership (1992) – a 'father like' leadership style with strong and clear authority as well as concern, considerateness and elements of moral leadership. In contrast, British respondents generally reflected a benevolent autocracy towards their employees. This supports arguments made by Curran (1991) that benevolent autocracy was the most typical employment relation amongst micro and small enterprises. British respondents exert their control and power over employees on the basis of the identification of employer. There were close relationships between British respondents and employees within the employment relationships and the workplace. As discussed previously in this section, Chinese respondents described the employment relationships in terms revealing both similarities and differences to those of British respondents.

This study has sought to detail the process, through which the entrepreneurs make sense of their ethical situations and issues by extracting cues with regard to power, status, roles and control. It is also through this process that entrepreneurs reason their

ethical stances and construct their identities. The ethical stances of the Chinese and British respondents conveyed values and beliefs in doing the things they thought were “right.” Farh *et al.* (2006) connects ethical issues with paternalistic leaderships as entrepreneurs are belittling subordinate contributions, tightening personal controls, insisting on absolute obedience, imposing strict work standards, insisting on following working rules, and setting high performance standards. Importantly then, this study shows that the paternalistic employment relationships – historically – strengthens entrepreneurs’ perception of power, authority and control over their employees and hence their continual enactments. As part of this, ethical stances were expressed and dealt with while set against the legal perspectives of the employment relationships. This explains why respondents strongly denied the existence of these issues or feel very reluctant to mention these issues in the UK, where contractual and legal institutions were often extracted by British respondents as cues to address issues in relation to employment relationships.

7.2.4. The Legal Perspective

Comparing Section 5.2.4 and 6.2.4., significant differences were identified relating to whether the respondents perceived they were legally bound by institutional and legal rules in the UK and China respectively.

The statements of British respondents show that they addressed “right and wrong” issues by extracting cues from contractual and legal institutions. All British respondents recognised themselves as legally bound and sought legitimacy for their actions within the law and contracts, which were described by them as the general framework of employment relationships. They took for granted that they were to abide by the legal regulations in interacting with employees and recognised that breach of the law would bring with it serious consequence (e.g. q. B524-04). British respondents conveyed a world, in which the influences of law and legal institutions were of dual significance to the employment relationships (e.g. q. B524-03). On the one hand, contract, law and legal institutions provided formal protections to their employees, particularly in terms of unfair dismissal. On the other hand, contract, law, and legal institutions set the legal boundaries by which the respondents managed their employees as the owner-managers of businesses.

In contrast, the legal infrastructure is not well established amongst Chinese respondents. The majority of Chinese respondents argued that the contract and law had no significant influence on their employment relationships and thus rarely extracted them as cues for their sense-making in relation to employment relationships (e.g. q. C624-01). They also revealed that they had limited knowledge of employment law and other regulations. Chinese respondents rarely mentioned experiences involving contract and the law in their employment relationships. In addition, they claimed that they would not use the law or legal institutions to resolve conflicts with their employees. Furthermore, they stated that they did not have experience, and would not expect that their employees would use the law to against them (e.g. q. C624-01). The majority of Chinese respondents denied the use of a formal employment contract with their employees. Chinese respondents claimed that they adopted conflict resolution mechanisms comprising informal negotiation and termination of employment relationships directly (either employees resigned or employers dismissed the employees) (e.g. q. C624-02).

Some Chinese respondents provided reasons why they enacted an environment, where they refused to pay social insurances for their employees and to sign a formal employment contract or, though both of them were required by the law (e.g. q. C624-03). Firstly, it might be caused by employers' low level of legal knowledge. In addition, the employers may exclude employment contracts and social insurance to hide the scale of the business and thus evade tax obligations. Moreover, employers may get used to the old routines of employment relationships and thus felt reluctant to adapt to the legal changes when imposed. Furthermore, employers hesitated to sign the formal documents because they were afraid that employees may use them as legal evidence against them when conflicts escalated (q. C624-02). Finally, some respondents felt reluctant to sign formal employment contracts as they saw the contracts as constraints on their power and authority as owner-manager.

In addition, according to Chinese respondents there are a few reasons for their reluctance in involving the law and legal institutions. The organisational characteristics of small size, limited capital and resources may limit the capacity of Chinese entrepreneurs to appeal to the law and legal institutions. Some Chinese

respondents ascribed the reluctance of using the law and legal institutions to the high cost, long time and too much effort required from entrepreneurs and their businesses to utilise them effectively. In addition, most of the Chinese respondents interpreted the law and legal institutions as a means of punishment of the employers' wrongdoings to employees (e.g. q. C624-02). According to them, when the law or legal institutions involved resolving the conflicts between employers and employees, in most cases employers were blamed for their bad behaviours towards their employees. Moreover, in most situations, Chinese respondents stated that the law was not necessarily elicited to resolve the conflicts in the employment relationships. When conflicts arise, the parties could just terminate the deteriorating employment relationships. All Chinese respondents claimed that informal negotiations were the main channels of conflict resolution as between them and their employees.

The above findings support Guthrie's (1998) proposition of an underdeveloped legalistic culture in China, where business people do not understand the law or view it as not important in their daily lives. Thus the significant differences still exist between Chinese legal culture and that of the UK, where British respondents expressed a clear respect to the law and are accustomed to applying the law in order to settle issues, whereas in China, business people tend to rely on the relationships between the parties, rather than the contracts of employment themselves (Wong & Chan, 1999). Indeed, the law is understood as a punishment rather than a means of preserving rights, freedom and justice (Liang, 1989). Chinese respondents' statements also support Peerenboom's (2002) argument that Confucian tradition, emphasising personal virtue, may cause the obvious reluctance to resort to the law. This tradition, along with the associated cost considerations, made Chinese entrepreneurs more often appeal to informal procedures to address disputes (e.g. C624-06).

The next part continues to compare and discuss the sense-making and ethical stances of entrepreneurs within business relationships in the UK and China.

7.3. Business Relationships

This part examines ethical stances of British and Chinese respondents with regard to the issues related to business relationships by analysing what are their plausible stories, and why and how they create plausible stories to address ethical issues.

7.3.1. Price and Quality Concerns

The majority of British and Chinese respondents highlighted the importance of the price and quality within their business relationships (e.g. q. B531-01 and q. C634-01). During their continuous business interactions, the majority of British and Chinese respondents claimed that they built mutual commitments regarding quality and price. Clearly and as expected, some of them argued that the broken nature of such commitments may seriously affect the business relationships (e.g. q. B531-02 and q. C634-02).

The extraction of cues regarding the quality and price by the Chinese respondents to address issues in business relationships are in line with the previous findings of Guthrie (1998) and Wank (2002) based on the Chinese business population. These authors note that some of their respondents expressed their value for efficiency considerations, such as quality, price and service in maintaining their relationships with customers and suppliers. In this study, the efficiency considerations of price and quality are also evident in the statements of some Chinese respondents. For example, one Chinese respondent stated that “He was sincere to do business and responsible for his products. He continuously provided me good price and good quality staff” (from q. C634-01). The extracted cues regarding quality and price as well as entrepreneurs’ associated stances present acute similarities to those from British respondents (e.g. q. B531-01).

However, a close examination of these expressions in relation to the quality and price concerns shows significant differences calling for attention. Firstly, two thirds of Chinese respondents put the personal relationships ahead of the identified price and quality concerns (e.g. q. C634-01). In contrast, the majority of British respondents expressed that the quality and price concerns were primary and critical to the business

relationships (e.g. q. B531-01). In addition, Chinese respondents claimed that the price and quality concerns were related to the trust and commitment of their personal relationships with the other parties. Thus the price and quality concerns expressed were based on the personal moral obligations existing between the parties rather than business contractual obligations (e.g. q. C634-01 and q. C634-02). Nevertheless, British respondents tended to explain the quality and price concerns along with trust and commitment at a business level (e.g. q. B531-01). Thus, the consequence of breaching such trust and commitment would only have a negative result on the business relationships, rather than any subsisting personal relationships (e.g. q. B531-02). Moreover, all British respondents claimed that they were serious in paying attention to the price and quality concerns in order to fulfil their contractual obligations (e.g. q. B531-02).

Furthermore, some Chinese respondents argued that their price and quality concerns differed with different types of business partners (q. C634-03). According to these respondents, they had to pay more attention to personal relationships when they do businesses with public organisations. The respondents needed the special favour of managers of state-owned companies or public officials to acquire their business. Some unethical business practices may prove necessary because power exchange is based upon relationships between business partners. These practices were described by the respondents as a structural characteristic, thus taken for granted and extracted as cues by them to build up plausibility for their arguments. They also extracted cues from traditional rules of friendship – i.e. reciprocity – to account for their actions in exchanging the special favours. They, hence, plausibly argued that the unethical business practices were necessary components of a “normal” friendship and thus are legitimate. However, when discussing their relationships with private businesses, these respondents focused more on cues regarding the price and quality. They thus enacted a different environment and constructed a different identity – what is “normal” here is that these efficiency considerations play an important role in developing personal relationships and thus, business relationships. The price and quality concerns were viewed as strategic options to be targeting at different and specific types of business partners.

Some Chinese respondents proudly expressed that they extracted cues highlighting the importance of quality and price, or described their approach of separation of personal and business relationships to address the issues in business relationships. It is notable that they argued that these behaviours were more akin to a Western way of conducting business. For example, Chinese Respondent 13 stated that “We decided that we were still honest to each other. Friend is friend; business is business. We would not let business relationships be effected by our friendship and vice versa. That is how people do business in the UK or US, right?” (from q. C634-02). This statement shows great parallels with those made by British respondents – for example, British Respondent 6 stated that “But it is also important (that) you have to keep that separation between a business partner and then being a friend... So if you are too close to them, you will feel quite hard... very difficult to deal the business... You have got to keep certain level of distance” (from q. B534-02). It is noticeable that efficiency concerns press some Chinese respondents to engage in more open and honest dialogue with his business partners. However, it was difficult for them to keep the business relationships separated from the personal relationships. They also extracted cues from the traditional ways of doing business and enacted an environment, where the personal relationships interplayed with business relationships at a close and mutually symbiotic level.

The contradictions within their comments demonstrate that Chinese respondents are affected in quite complex and subtle ways by the influence stemming from the Western ways of doing business. Their statements suggest that Chinese respondents practically revised the way of doing business and creatively incorporated more efficiency concerns into the personal relationship constructions including price and quality concerns (e.g. q. C634-02). This study recognises that these revisions or creations are a result of impacts from different institutional forces (here Chinese traditions regarding relationships and Western business practices) on the business relationships. These different institutional forces provide various materials (cues) for and cause difficulties to Chinese respondents’ sense-making of issues in business relationships. To resolve the conflicts and maintain consistency and plausibility of their arguments, Chinese respondents creatively combine cues supported by different institutional forces and form new form of values, norms, or institutions. In the next

sections, this study further explored respondents' ethical stances regarding long-term relationships.

7.3.2. Long-term Relationships

Both British and Chinese respondents reported that they valued long-term business relationships, contributing to their need for achievement and promoting business interests (e.g. q. B534-01 and q. C631-01). Comparing short-term or one-off business relationships, respondents from both countries expressed that long-term business relationships provided many advantages, including finding new opportunities, retaining business partners, acquiring information, improving business management, increasing profits, reduced risks and overcoming business difficulties. Besides benefiting from the expanded sales experienced by repetitive transactions, respondents admitted that long-term business relationships could save time and cost of business negotiations. Since there were business precedents, respondents stated that business obligations and rights were certain and clear to both parties. In addition, entrepreneurs took for granted that as a result of long-term relationships, both parties should further commit themselves to mutual interests in terms of price, quality, and credit (e.g. q. B.534-01 and q. C631-01). Both the British and Chinese respondents reported that they benefited from mutual trust and commitment, which had been developed between business-partners within dynamic ongoing interactions. The above advantages have been extracted as cues and interweave into the respondents' plausible construction and sense-making.

Meanwhile British and Chinese respondents manifested significant differences when they made sense of their relationships with customers and suppliers. First, British and Chinese respondents described differently the role of personal relationships. Chinese respondents describe personal relationships as key elements of business relationships (e.g. q. C631-01). In contrast, British respondents expressed that the relationships mostly stay within business terrain and rarely involve personal domain. These findings support Yau's (1988) and Ambler's (1995) argument that interpersonal relationships are a key part in inter-organisational relationships in China. In addition, though recognising that there are some personal interactions, most British respondents claimed that they limited the scale of personal relationships (e.g. q B534-02). They

tended to maintain the identity of the other party as a business partner rather than as a friend, which Chinese respondents described their business partners as. According to the British respondents, the close personal relationships endangered the carrying out of normal business routines. Moreover, some British respondents argued that close personal relationships could be taken advantage of by business partners for selfish purposes, making their business interests exposed to risks (e.g. 534-03).

Interestingly, British and Chinese respondents described differently the extent of their reliance on the relationships and extracted different cues to their sense-making. Chinese culture values long-term co-operation and mutual benefits while Western culture underlines contractual relationships (Chen & Partington, 2004). All Chinese respondents highly valued the importance of personal relationships and business networks in conducting their businesses, even though some of them expressed reluctance with the *guanxi* and its unethical practices. They built up plausibility by extracting cues from perceived structural characteristics – Chinese business contexts were characterised by personal relationships and networks, which was taken for granted as business routines (e.g. q. C631-01). There are always key personnel ranked at the top of the organisations and in charge of business decision-making. Chinese respondents enacted an environment where good personal relationships with these key persons decided the outcome of business relations and relative success of the interaction in terms of their business interests (e.g. q. C634-01). Nevertheless, the descriptions of British respondents show they relied less on the long-term business relationships (e.g. comparing q. B534-01 and q. C631-03). By contrast, they enacted an environment, in which relationships were less critical to the businesses and the content of mutual trust and commitment were mainly business related.

Moreover, British and Chinese respondents described differently the role of socialisation in maintaining business relationships. Chinese respondents argued that it was imperative to engage in social interactions with key business contacts, while most of the statements of British respondents did not reflect the importance of such social interactions (e.g. q. B.534-01 and q. C631-01). According to Chinese respondents, besides informants, business partners with good personal relationships could act on behalf of entrepreneurs and play a range of significant roles as business intermediaries,

advisors, creditors, and marketers. Chinese respondents also admitted that the support they acquired from the personalised business relationship was not only material in nature, but also emotional. All Chinese respondents described a continuum between personal relationships and business relationships: close personal relationships led to business relationships and the successful business interactions promoted further closed personal relationships. In Chinese business relationships, it is accepted that friendship leads to business (Mummalaneni & Wilson, 1991; Ambler, 1995). However, to Western business people, social interaction is not necessarily connected with business relationships (Iacobucci and Ostrom, 1996). Socialisation is not connected with the development of long-term business relationships in the same manner (Mummalaneni & Wilson, 1991; Ambler, 1995). This explains why Chinese respondents extracted cues in relation to socialisation to address their business relationships and took for granted of business banqueting and gift-giving as necessary means in business transactions, while British entrepreneurs on the contrary ignore such cues in their sense-making. Some Chinese respondents also reported their use of the kickback and bribe as part of social interaction when power exchange based business relationships were to be developed. In contrast, in the UK, the respondents strongly denied such practices as a relevant feature of their business relationships.

Fourth, British and Chinese respondents described differently their respective time orientation. Once *guanxi* established, Chinese business people endeavour to keep the relationships alive through the reciprocation of favours and benefits (Wu, 1996); While in Western countries, long-term orientation or continuity is an outcome of a relationship (Anderson & Weitz, 1990; Ganesan, 1994). Chinese respondents claimed that they would attempt to maintain good relationships with their business partners, even if that means they had arguments regarding issues such as price and quality (e.g. q. C634-01). In contrast, British respondents considered the relationships more in the context of efficiency concerns. Thus when issues including price and quality arose to a level endangering their business interests, British respondents claimed they would terminate the relationships without hesitation (e.g. q. B531-02).

Fifth, British and Chinese respondents described differently the reciprocity of business relationships. Osland (1990) argues that Guanxi-based reciprocal behaviour

is similar to Western culture where an exchange only takes place if mutual benefit is involved. However, this study found that according to Chinese respondents, the reciprocity involved with mutual benefits was not only just in terms of business but also private domains, while British respondents defined reciprocity only in terms of business gains (e.g. q. B534-01 and e.g. q. C631-01). Besides these significant differences in business relationships in the different cultural contexts described, the statements of Chinese respondents also show that there are some differences amongst the cultural groups themselves.

Looking further into the statements made by Chinese respondents, the researcher found that there were different cues extracted by them to address issues regarding *guanxi* and its practices. Although, some of the respondents suggested that *guanxi* and its practices were less important than before and would be in continuous decline because of the development of market-oriented economic infrastructure and the legal system (e.g. q. C631-03 and q. C631-04), other respondents, however, suggested that *guanxi* and its practices were, and would be important in their business relationships in the future. General propositions regarding declining *guanxi* and its practices (Guthrie, 1998) are thus not fully supported by this study into the entrepreneurial population. Furthermore, despite their different opinions regarding the future of *guanxi* business practices, Chinese respondents shared opinions that they were still of importance to their current business relationships. This study thus suggests that in a horizontal business relationships – mainly focusing on the development of favour exchange based relationships – *guanxi* and its practice are still maintaining their importance in the construction of business relationships, while in vertical business relationship – mainly focusing on the development of power exchange – *guanxi* and unethical business practices may be more likely to decline.

This study suggests that Chinese respondents, based on their profit and growth, strategically develop different business relationships and personal relationships with different types of business partners. The enactment of Chinese respondents shows that the institutional environment where they locate provides contextual flexibility. These respondents were aware of the existence of multi institutional explanations of business relationships and they extracted them purposely for their reality construction

and assembling plausible positions. Two thirds of Chinese respondents revealed that they had to stratify their business relationships and acted with various approaches to develop business relationships with different business partners (e.g. q. C631-05). These respondents rationalised the *guanxi* practices including gift giving, kickbacks and bribery in their business relationships with government officials and state-owned enterprise managers. They extracted cues that the development of business relationships was because of the power possessed by business partners to make business decisions, which was of critical importance to the profits and business growth. Thus, these respondents engaged in these activities for the purpose of power exchange with the incentive of increased profits. Nevertheless to other private business, these respondents described their relationships as horizontal, and they were more likely to carry out their business more ethically. Thus according to these Chinese respondents, different business practices including unethical business practices were used as a strategic response to the complicated business environment.

The small size of their business and limited resources had been also cited as important cues to support the claimed adaptation to “the environment”. The enactment – the stratification of business relationships practices demonstrates that the ethical stances and business practice of these respondents are impacted by both the changing economic norms (i.e. focusing more on efficiency considerations) and culturally rooted relationship values (i.e. focusing more on personal relationships).

Other respondents revealed that they had only horizontal business relationships and that they did not have unethical issues of kickbacks and bribery issues. These findings support Su and Littlefield’s (2001) *guanxi* categories: culturally rooted favour-seeking *guanxi* and institutionally defined rent-seeking *guanxi*. The former emphasises social networks and interpersonal exchanges of resources (favours) in a collectivistic society. The latter focuses on power exchange in a hybrid Chinese socialist market economy and are identified as the major source of ethical issues of corruption and bribery. According to the respondents the personal relationships still remained of importance in the horizontal business relationships but when reflecting on the vertical business relationships, the power-exchange based relationships were declining as the legal systems are becoming more enforceable (e.g. q. C631-04). The reliance on the

personal relationships was further connected verbally by the Chinese respondents with issues of trust and distrust, which is discussed in the next section.

7.3.3. Trust or Distrust

The majority of Chinese respondents admitted that they were cautious in developing business relationships, particularly with new partners while only a minority of British respondents held such stances. These respondents showed their anxiety and worries given issues such as identifying the motives of their business partners as being malicious; whether the quality of products was lower than their standards; whether they were fairly charged in the price; whether the payment would be paid punctually; and whether business partners fulfilled their contractual obligations honestly (e.g. q. B 532-01 & q. C632-01).

The majority of British entrepreneurs claimed that they trusted their business partners. Yet some of them claimed that they had worries when they built up relationships with new business partners (e.g. q. B632-01 & q. B 632-02). However, they admitted that formal procedures of checking references and written agreement were effective methods to prevent these things happen (e.g. q. B 632-02). The majority of British respondents extracted cues from contractual and legal institutions, which according to them set out the general framework of the business relationships. They thus reported that they would not have many worries in relation to issues of trust in their business relationships.

By contrast, most of the Chinese respondents expressed a strong sense of distrust and insecurity in the business relationships. According to these respondents, they extracted cues from an observed structural characteristic – that was that business relationships were characterised by unstable relationships and uncertain factors and their personal business interests were at a high level of insecurity and uncertainty. Chinese Respondent 4 (q. C632-01) described that the business environment was full of danger and compared it with “a stormy river” and his business as a “boat.” Most respondents expressed a low level of internal locus of control and self-efficacy in controlling business relationships from deteriorating. These respondents thus enacted

an environment, where he had to tolerate the uncertainty and took risks in developing their relationships with business partners.

Some Chinese respondents admitted that they were engaged in unethical business behaviours and justified this by arguing the need for self-protection of their business interests (e.g. q C632-02). The unethical business practices included non-payment or delaying the payment of debts. They argued that the small size of the business and limited cash flow pressed them to behave unethically to reduce the loss by others' unethical behaviours. These respondents verbally described a vicious cycle of unethical behaviours. These respondents suggested that the lack of influence from market-oriented economic infrastructure, particularly legal institutions encouraged the respondents to engage into unethical behaviours in order to reduce the impacts from those adopted by others. As a result, more ethical issues were faced by them.

The majority of Chinese respondents claimed that they had to develop personal relationships for the purposes of self-protection. Most of the respondents recognised that they were short of means to protect themselves from any deteriorating business relationships apart from relying on their personal relationships. To address the uncertainty, the majority of respondents spent time, effort and money in developing personal familiarity with their business partners. The more knowledge they acquired about their customers, the more trust they had in the business relationships with them. Indeed, most of the Chinese entrepreneurs claimed that good personal relationships could promote honesty, reciprocity, smooth communication, trust, commitment and mutual understanding, which would provide certain security to business transactions and thus boost their business interests. Trust is regarded as a norm and also the key foundations of relationships (Osland, 1990; Wu, 1994). Importantly, trust in Asian cultures often negated the need for formalised contracts (Thorelli, 1990). Most Chinese respondents claimed that they built up the trust and commitment to their business partners by developing personal relationships. The underlying assumption was that the business was run by key people who made important business and ethical decisions. Thus the relationships largely relied on the individual personality characteristics and moral standards, as respondent 4 stated "What he talked and the way he behaved reflected his style of doing business" (from q. C632-01). However,

the majority of Chinese respondents admitted that personal relationships could not always prevent the damages induced by declining business relationships. Thus, to protect their own business interests, most of Chinese respondents indicated that they had to take a suspicious, precautionary and defensive stance in order to survive.

Chinese respondents thus recognised the importance of maintaining good personal relationships with their business partners and endeavoured to expand their business network as important social resources. To Wong and Chan (1999), *guanxi* works to promote the business in underdeveloped legal systems. To these authors, the buyer-seller relationships are influenced by *guanxi* orientations and developed through informal procedures of business banquets and gift giving; while formal contracts are signed after the building-up of mutual trust, which indeed negates the contracts in ascertaining the relationships. According to their statements, Chinese respondents extracted cues of power, status and personal relationships – culturally rooted notions for their sense-making. To a business partner characterised with more horizontal status and less power, they extracted cues regarding efficiency considerations and focus on mutual benefits. Such stances are similar to those from British respondents. To a business partner with higher status and power, they appealed to develop personal relationships and thus showed their internal locus of control of the situation and self-efficacy. In the next section, similarities and differences in respondents' ethical stances against a legal perspective is outlined.

7.3.4. The Legal Perspective

All British respondents agreed that the law and legal institutions play an important role in clarifying obligations and rights, stabilising business relationships and avoiding disagreement and conflicts (e.g. q. B533-01). They argued that in the UK, contractual and legal institutions provided a general framework for business transactions. Any breach of contracts and the law would bring serious consequences. The majority of British respondents claimed they constantly used contracts and legal institutions to maintain their business relationships. Most British respondents expressed that they would refer to the contract and the law to resolve issues or problems within business relationships, meanwhile they claimed that they believed that the breach of contracts and the law would bring serious consequences they would

not want to risk (e.g. q. B533-02). They also expressed that they would consult the legal professionals for expertise so that they could solve issues “rightly” (e.g. q. B533-03). However, the majority of the British respondents would appeal to the informal negotiation as the first step to resolve issues considering the high cost of the application of the law and legal services (e.g. q. B533-04).

In contrast, all Chinese respondents agreed that personal relationships were more important than the law and legal institutions in clarifying obligations and rights, stabilising business relationships and avoiding disagreement and conflicts (e.g. q. C633-01). According to the majority of Chinese respondents, contractual and legal institutions were of limited or no use in their business relationships (e.g. C633-02). Most Chinese respondents stated that they had no experience involving the law in resolving issues or problems of business relationships. They expressed that they would not use the law or legal institutions to resolve conflicts with their business partners; meanwhile they claimed that they did not believe that their business partners would use the law against them. The most popular reasons given by the respondents were: avoiding intensifying conflicts and emphasising harmony, reluctance of using the law to settle conflicts, the cost of using the law, relying on informal negotiation, and perceiving the law as a punishment rather than means of protection (e.g. q.C633-02). The most common conflict resolution method reported by the Chinese respondents was informal negotiation. However, two thirds of the respondents claimed that they signed contracts for business transactions constantly. They claimed that signing contracts was just a procedure and could be of use as the last resort when a conflict was unresolved and the business interests involved were significant.

The differences listed above reflect different legal stances to the business relationships between British and Chinese respondents. Chinese business people value more culturally rooted relationships than the contract in activities (Chen & Partington, 2004). Wong and Chan (1999) indicate that Western business people honour written contracts and respects legal orientations; they tend to appeal to the formal procedure and employ legal professionals to protect the enforcement of the contracts. Meanwhile, with regard to Chinese business people, business relationships are influenced by *guanxi* orientations and developed through informal procedures. Formal contracts are

subsequent to the building-up of mutual trust, which indeed negates the importance contracts in ascertaining the relationships.

In addition, it is interesting to note that British entrepreneurs also tended to resolve conflicts by informal negotiation first before they resorted to the law and formal legal procedures. The respondents' explanations were that the cost, efforts and time concerns encouraged using informal procedures instead of legal actions to resolve conflicts (e.g. q. B533-04). These explanations were similar to some of the Chinese respondents ((e.g. q. C633-02). The small size of business and limited resources restricted the respondents' ability to use the law and the services of legal professionals.

This section of the study compared the ethical stances of entrepreneurs in business relationships in the UK and China. The next section continues to compare and discuss the sense-making and ethical stances of entrepreneurs within government-business relationships in the UK and China.

7.4. Government-Business Relationships

The following subsections compare and discuss the sense-making process by which entrepreneurs understand, interpret and respond to the ethical issues in the government-business relationships in the UK and China.

7.4.1. The Role of the Government

Most of the British and Chinese respondents accounted for their relationships with government by extracting cues that the government had the power to legislate and enforce laws, implement administrative decisions, adjudicate disputes, and punish none-abidance. Their statements show that they took for granted that government, as the public authority, has influence on them and their organisations particularly in terms of tax. In addition, the majority of respondents from both counties admitted that the law and regulations were compulsory to them; they as social members were obligated to obey (e.g. q. B543-01 and q. C641-01).

All British respondents reported that government did not intervene or control their business directly. They took for granted that their businesses were out of the direct control of the government and thus there were no substantial relation between them (e.g. q. B541-01). They extracted cues from political institutions – the governmental power was limited and decentralised in order to preserve of freedom and encourage achievements “of individual genius, of strongly held minority views, of a social climate permitting variety and diversity” (Friedman, 1962, p. 9). This could be demonstrated by the statement of British respondent 4 regarding government-business relationships. He stated that “we do not have any relationships. The government doesn’t control the business here at all...They can probably provide some support but they certainly don’t control. They certainly don’t develop in that way... We don’t have problems. We don’t have any fear from the government and many things have been very supportive.” (from q. B541-01)

Most of British respondents insisted that the role of the government should be supportive. Compared to large businesses, small businesses are disadvantaged because of market imperfections: bias against self-employment, inadequate innovation supply, lack of capital, labour, and premises, bureaucracy and compliance cost, and purchasing marketing (Bridge *et al.*, 2003). Thus, the majority of British respondents argued that Governments should work through law and regulation to create a fair competitive environment for small businesses and encourage entrepreneurship (e.g. q. B541-03). The majority of British respondents commented positively on the supporting role of the British government and public organisations with regard to small businesses and entrepreneurship. All British respondents reported support from government in terms of special policy, information, tax reduction, and legal services (e.g. q. B542-01).

There were some complaints from the British respondents that the government did not provide sufficient support (e.g. q. B542-03). Some of them questioned the adequacy of assistance provided by the government. They argued that a new small business commonly had serious financial strain from tax, business management cost, wages and marketing costs. These respondents argued that the government should provide substantial assistance for the new small business to survive at the start-up stage and

reduce the failure rate of entrepreneurship endeavours. Some respondents also complained that the government did not understand small businesses and legislated without considering its effects on various types of business. Curran (2000) explains that owner-managers complain that the support providers do not understand their needs; the content of the support does not suit their needs; and the standard approach of government departments ignores the heterogeneity of small businesses or the special characteristics of localities. However, despite the complaints, according to the respondents, the supported role of the government in Government-business relationship was well established and taken for granted. The British government-business relationships were of small power distance than those in China by contrasting the statements from British and Chinese respondents.

The Chinese government-business relationships were characterised by large power distances. All Chinese respondents extracted cues from a cultural and historical perspective – the government had significant influence on themselves and their organisations. They enacted that the government as ruler, was located in a much higher rankings than them with taken-for-granted power and authority over them (e.g. q. C641-01). Though expressing as being less controlled by the government than before, Chinese respondents emphasised that the government still remained influential in many areas integral to their organisations. These areas include allocation of public resources, disposition of public assets, public authorities on financial loan, licences, importation and exportation, fines, fees, and taxations.

In contrast to their descriptions of a powerful role in employment relationships, all Chinese respondents' expressed that they were the weaker party and short of effective institutional protections from the infringements of a powerful government. They construct their identity as the disadvantaged groups when conflicts arose in government-business relationships (e.g. C641-02). Obedience on their part was taken for granted by most Chinese respondents. Most of the respondents indicated that they did not and would not question or challenge the decisions made by the government. These extracted cues are connected with Confucian values, which have emphasised harmony and order, achieved only through hierarchy and obedience (Fan, 2007). Chinese respondents saw the related department of government as superior authorities,

whose policies, regulations and decisions were of direct binding power upon them and their organisations.

Chinese officials remain influential, despite the fact that the government structure will be less important to business (Wank, 1995a; Garten 1998). Some Chinese respondents thus proposed the development of personal relationships with officials in order to convert the powerful role of government from potential problems and troubles to aid their business success. By extracting such cues, these respondents attempted to regain the internal locus of control and self-efficacy in their relationships with the government. The Chinese tend to see officials as divine figures with a mandate to rule and their businesses' status or reputation derives from official recognition (Fan, 2007). This ethical stance differs from those of British respondents who generally claimed that they had only working relationships with the officials. However, the ethical stances of the Chinese respondents were of complex and contradictions. The next section further examines the ethical stances of British and Chinese respondents to the official-entrepreneur relationships.

7.4.2. Relationships with Officials

Most British entrepreneurs' statements show that they made sense of official-entrepreneur relationships by extracting cues characterised by small power distances and formality. They took for granted that the interactions between officials and entrepreneurs were mainly within administrative duties of officials and adhered to the law (e.g. q. b543-03). The officials were depicted as the employees of the government. These respondents suggested that the relationships between government officials and his business were conducted according to the laws and administrative procedures. Officials' behaviour was described as adhering to the rules and carrying out their duties faithfully. Such description enacted an environment, where the objective of officials in their interactions was to make sure the entrepreneurs work within the legal boundaries. Most of British respondents also described the officials as helpful and friendly.

By contrast, Chinese respondents' extracted cues show that their relationships with officials were characterised by complication and contradictions. The majority of

Chinese respondents reported that their relationships with public officials were less important than before. Chinese respondents' ethical stances to their relationships with officials differed. Some of the respondents claimed that good relationships with officials were important as they could have powerful alliances, whose help would bring convenience and advantages to their business (e.g. q. C642-01). Private business executives are more likely to value and trust *guanxi*, rely on connections for protection, emphasise government connections, and give unreciprocated gifts (Xin & Pearce, 1996). The perceived powerful role of the government was listed as important motivations for their activities to develop personal relationships with officials. They emphasised that officials were in superior position with authority and power, which was of great influence on their businesses. These respondents thus reasoned that it was imperative to have good relationships with officials in order to gain advantages related to the officials' power and position, avoid problems or troubles, and promote their business interests. These respondents described their interactions as focused upon building up personal relationships, which raised a series of ethical issues including jobbery, bribery, business banquet, gift giving and kickbacks. These respondents argued that their organisations were small and short of resources. For the purpose of surviving and developing their business, they claimed that they urgently needed the assistance of powerful "friends." These respondents emphasised that officials were treated as important social resources due to their powerful positions and high social status. They were thus motivated to build good personal relationships with officials.

In addition, some respondents argued they should reduce their contact with officials and follow the formal procedures in their relationships (e.g. q. C642-01). Chinese entrepreneurs, however, found that the market-oriented economic reform had an impact on their sense-making and their plausible constructions. The officials' control over opportunity and privileges and vertical ties of entrepreneur-bureaucracy relationships were declining as a result of the growth of markets (Nee, 1989, 1996). They noted that the Chinese government reduced their direct intervention in economic life. As a result Chinese entrepreneurs admitted that they could run their business independently and good relationships with officials were not essential for a successful business. In addition, these respondents added that the increasing legal and moral

objections discouraged them from developing personal relationships with government officials. Furthermore, these respondents argued that building personal relationships with government officials cost them too much time, efforts and money. They thus claimed that they intended to cut off the personal contacts with officials and engage in the government-business relationships via the formal procedures only.

Moreover, others took more flexible approaches in constructing their relationships with government and officials (e.g. q. C642-03). They would not positively seek to build relationships with officials; nevertheless if it was necessary, they would seek to do so. The efficiency consideration motivated these respondents to take flexible stances in government-business relationships. These respondents admitted that building relationships with officials cost them in terms of money, time, health, efforts, pressures and mental activities. Thus he had to do the efficiency evaluation and consider the practical worth of building personal relationships with officials. If the profit was not appealing or the cost was too much, these respondents expressed that they would be less likely to engage in the official-entrepreneur relationships.

The various responses of Chinese respondents in official-entrepreneur relationships may be a result of the decentralisation of economic and political reform and increasingly comprehensive legal systems. Thus, Chinese respondents had more options in their relationships with the officials. Respondents' ethical stances and ethical decision making were related to entrepreneurs' values and beliefs in the role of law and legal institutions in government-business relationships. This is discussed in the next section.

7.4.3. The Legal Perspective

The majority of British respondents took for granted that the legal and political institutions were of binding power upon them and they were willing to abide by the law, even though they perceived the law or policy was not "fair" to them (q. B543-01). One respondent admitted that high tax rates encouraged business people to get away from tax, including legal (tax avoidance) and illegal (tax evasion) (q. B543-01). However, as the legal system was getting more and more strict and comprehensive, he acknowledged that there was limited space for tax evasion now.

All British respondents recognised that law and legal institutions were of importance in providing the general framework for government-business relationships (e.g. q. B543-03). They stated that the legal institutions set out the general framework of interactions between them and officials and clarified the obligations and rights of entrepreneurs and officials. The relationships between the government officials and businesses were conducted according to the laws and administrative procedures. They described that British officials adhered to the rules generally and carried out their duties with the legal boundary. His description suggested that the objective of officials in their interactions was to make sure that the entrepreneurs worked within the legal boundaries. British respondents approved of officials' working attitude of staying in the line of duty and following the rules. They reported that officials were supportive by helping them act in compliance with laws. The respondent also describes the officials as helpful and friendly. British respondents' description of their relationships with the government and officials demonstrates the characteristics of the rule-of-law (Dicey, 1959, see Section 3.3.3 for further detail). Under the rule-of-law, governmental power should be decentralised; officials should serve the public good and be held accountable for their actions; officials should be aware of and willingly accept the legal limits on their power; and legitimacy comes from obeying the law (Clark, 1999). These characteristics differed from those showed in Chinese respondents' relationships with government and officials.

The majority of Chinese respondents claimed that the legal system would play an increasing role in regulating government/official-business relationships (e.g. q. C642-02). They suggested that the officials would increasingly adhere to the law and follow the formal official procedures. Some respondents reflected that there were changes of officials' attitudes to them (e.g. q. C643-02). According to these respondents, though still with large power distances, current relationships were much improved and officials tended to be friendlier. Two reasons were given by these respondents to account for the changes in officials' attitudes. One reason was the legal systems were getting stricter to make the officials carry out their duties increasingly within relevant laws and regulations. The other one was that the officials were evaluated by their political achievement in developing the local economy. For their own political careers, the officials had to diminish their sense of superiority and be more friendly with them.

It is also interesting to note that in the official-entrepreneur relationships, considerable examples given were not related to ethical issues and not illegal (e.g. q. C643-03). Some respondents tended to know officials because of their extensive social experience, knowledge and enormous social resources. Such relationships were rather private and not work or power related.

Despite the expressed emphasis on legal system, most of respondents reported that they would choose informal procedures or personal relationships to resolve issues emerging in government/official-business relationships. Other respondents stated that they would choose to comply with decisions of the government or officials, no matter what happened. This may be because most of the Chinese respondents took for granted that government as a source of the law would be above the law (e.g. q. C643-01). According to most Chinese respondents, the law was produced by the government. Thus the law could not change the decision made by the government and would not effectively regulate the issues between government and the business themselves. The Chinese traditional “rule-by-man” ideology has its influence on modern Chinese business practice therefore (Liang, 1989). Under such ideology, the status of officials is located above the law and the law is of limited relevance in governing their relationships.

A number of respondents (8 out 21) also revealed their experience of illegal behaviours. These respondents admitted that there was tax evasion or cheating behaviours. These respondents expressed that they did not feel wrong and argued tax evasion was a structural characteristic and common business routine. Some of them also mentioned that the tax officials could do nothing but to apply informal negotiation for the sake of their own duties. This also showed that the legal system is of limited binding power on the respondents’ behaviours in their relationships with the government and officials. This also partly explains why some Chinese respondents ignore the law and engaged in the unethical practices with officials for the power exchange (e.g. q. C642-01).

In summary, this part of the study compared the ethical stances of entrepreneurs in government-business relationships in the UK and China. The results of comparisons

further support findings in analysing respondents' ethical stances employment relationships and business relationships: entrepreneurs as social actors made sense of their environment and strategically respond to the ethical issues.

7.5. Conclusion

This chapter has compared and discussed the findings regarding entrepreneurial business ethics in the UK and China. Ethical issues were compared and the extracted cues show that both market-oriented economic infrastructure and national culture was shown to have influences on respondents' sense-making and enactment. The exploration is here focused on the process through which the respondents understand, interpret and respond to a complex array of issues giving rise to ethical dilemmas. These ethical issues arose in the context of their main stakeholders, namely employees, suppliers, customers and government.

The respondents from the UK and China showed creative characteristics in addressing the complications encountered and in strategically responding to these ethical issues in different socio-cultural contexts. China – in transition – brings particular issues to the fore and which, the next chapter, will be discussed as part of moving to the main conclusions with the main contributions being highlighted too.

Chapter 8 Conclusion

This chapter concludes the thesis by discussing the research outcomes and summarising the contribution to knowledge. Referring to the research objectives, the discussion here specifically focuses on the main themes and insights emerging from the empirical research, outlined in chapters 5, 6 and 7. The main theoretical contributions are also identified and highlighted by comparing research findings with previous literature (Chapters 2 and 3). In addition, through referring to Chapters 4, the ways contributing to methodology are discussed and presented. Furthermore, the practical use of this study to government, public organisations and individuals who have an interest in application of ethical issues is noted. Finally, this chapter examines the limitations of this particular study and provides suggestions for future research.

8.1. Addressing the Research Objectives and Contributing to the Knowledge

This thesis aims to develop our knowledge of business ethics and entrepreneurship and specifically advance the understanding of entrepreneurs' perceptions of, interpretations of and response to, business ethical issues in the UK and China. It focuses on entrepreneurs' processes of sense-making and as part of this paid particular attention to the business ethics. Specifically it seeks to achieve the following objectives:

- To identify the business ethical issues and challenges related to new small business creation in different socio-cultural contexts, namely the UK and China;
- To identify the different cultural and value resources available to small business entrepreneurs to draw upon in making sense of their roles;
- To investigate how small business entrepreneurs, incorporate these resources into their sense-making of these issues, construct identities and enact their social relationships with employees, customers, suppliers and public officials;

- To examine the features and factors involved in how they enact their ethical reality, plausibly reason their decisions, proscribe and prescribe behaviours, and thus address issues of right and wrong; and
- To contribute to the knowledge on business ethics in relation to the social perspectives of entrepreneurship in different socio-cultural contexts – how British and Chinese small business entrepreneurs understand, interpret and respond to ethical issues in relation to their main social interactions.

To do so, this study has to overcome two theoretical obstacles identified in the literature review chapters (Chapter 2 and 3). As discussed in Chapter 1, there are limited academic interests on the topic of business ethics and entrepreneurship. Lacking an explicit theoretical base, the sporadic research efforts largely relies on the analysis of factors at either individual, or organisational, or environmental level. However, this calls for research to evolve towards a “more integrated and complicated models that take into account not only psychological characteristics of entrepreneurs but also situational variables and personal background” (Delmar, 2006, p. 166). This thesis takes up this challenge and does refer to these three levels but with a focus on the situational factors in order to present a complex account of the entrepreneurial business ethics. A cognitive approach joined up with social constructionist and sense-making theories and approaches is adopted by this study to achieve this purpose and advance knowledge on business ethics and entrepreneurship (see more details in Chapter 2). In addition, in cross-cultural contexts, comparative business research is entangled with the debates between convergence and divergence (see more details in Chapter 3). Rather than denying universality or particularity, cross-cultural studies should explore both similarities and differences (McDonald, 2000). The researcher goes deeper than simply analysing and summarising similarities and differences in business ethics behaviours, values and norms among nationalities, namely the UK and China. Through exploring the individual entrepreneurs’ accounts and the ways they seek rationales of, make sense of, and enact their environment in their social interactions, this thesis adds to our knowledge.

To do so, social constructionist and the sense-making approaches (see more details in Chapter 4) are adopted to investigate how entrepreneurs develop their cognitive map,

construct their identities and convey “the meaning” they created, and thus address ethical issues in their social relationships. So, how individual entrepreneurs construct a “sensible” and “plausible” reality as they discuss their dynamic relationships with main stakeholders, namely employees, customers, suppliers and the government, and the ethics therein was examined. Particularly, the sense-making approach allows us to examine the reports of the entrepreneurs and the process, through which they understand, interpret and respond to ethical issues with insightful findings. The adopted cognitive approach – drawing on these two general theories – assisted the researcher in building an original conceptual framework while advances an understanding of social and ethical implications of entrepreneurship and for doing so, addressed the objectives.

8.1.1. Identifying the Business Ethical Issues and Problems

As indicated in Chapter 2 and Chapter 3, to date, limited attention has been given to the social and ethical perspectives of entrepreneurship, despite the fact that small businesses are the major economic actors and of significant social and economic influence. The limited academic effort has focused on individual ethical and motivational traits description, or accounts from organisational and environmental level.

This study refocuses attention on the ways entrepreneurs make sense of ethical issues, enact the plausible environment and, thus form their ethical stances in their social interactions with other social actors. This study finds that locating in complex and dynamic relationships, entrepreneurs constantly experience conflicts, receive situational factors influences and are involved in the formation of specific business practices and behaviours, particularly some specific ethical issues and problems. They socially construct an emergent social reality and forms of knowledge through their actions during their interactions with other social actors and as reported in their interviews. A number of ethical issues related to entrepreneurship in both the UK and China have been identified. This has been done by referring to the literature and analysing the entrepreneurs’ verbal account of their experience in starting new businesses and their relationships with main stakeholders.

Ethical issues related to entrepreneurship		
Employment relationships	Common issues	<p>Entrepreneurs oblige employees to work long working hours, offer low payment for overtime, and less holiday and benefits; They show a disregard for employees' interests; sacrifice employees' interest for their own; demand excessive workloads from employees; coerce employees to comply with requirements; impose strict requirements on employees; disrespect employees' independent opinions; dismiss employees who they felt unsatisfied with; do not provide written employment contracts; infringe employees' legitimate rights, including rights against unfair dismissal; and have low level of awareness of relevant legal regulations.</p> <p>Employees may have issues of absenteeism and abuse of the use of corporation property.</p>
	Particular issues in China	<p>Entrepreneurs do not set up social insurance schemes; pay wages lower than the legal regulations require; do not pay for overtime worked; ask for the service of their employees in non-work related matters; intervene in employees' private matters; use informal procedures to deal with conflicts; disrespect the terms of employment contracts; do not adhere to relevant employment regulations.</p> <p>Employees may be involved in issues of theft, sabotage and corruption.</p>
Buyer-seller relationships	Common issues	<p>Conflicts involve quality, price, correctness of information, terms of contracts; issues concerning honesty, fairness and integrity of business partners; distrust and suspicion of business partners; issues regarding low product quality, unfair prices, breach of contracts, use of contract loopholes, making of false promises, non-fulfilment of contract obligations, cheating on and delaying payment, disrespecting contracts, failing to meet customers' expectations, absence of quality guarantees, informal procedures utilised to deal with conflicts, and low level of awareness of relevant legal regulations.</p>
	Particular issues in China	<p>Issues consist of disrespecting contract terms, kickbacks, gift giving, business banquets, malicious debt, absence of quality guarantees, absence of or delaying after-service, low quality products or services, faked brand name products, false advertising, and lack of legal protection, and not adhering to relevant legal regulations.</p>
Government-business relationships	Common issues	<p>Issues concern indifference to involvement with government programs, tax evasion, and low level of awareness of legal regulations.</p>
	Particular issues in China	<p>Issues comprise of unfair treatment, unjustified infringement of interests, lack of openness and transparency, jobbery, kickbacks, gift giving, banquets, bribery, tax cheating and evasion, remaining silent or appealing to informal procedures to deal with conflicts, and not adhering legal regulations.</p>

(This table is a reproduction from section 7.1.)

These ethical issues are reported to emerge during entrepreneurs' interactions with main stakeholders namely employees, suppliers, customers and government. Problems and issues are treated as situations requiring entrepreneurs to be flexible and skilled in forms of sense-making when cues are extracted. Neither do the studied groups of entrepreneurs always choose to be a moral agent, nor are they continually willing to behave ethically. These issues and problems constitute complicated situations which are characterised by ambiguity and uncertainty. The entrepreneurs struggle to organise the flux, make sense of their experience and thus form guidelines for future actions. It is an ongoing process, through which individual entrepreneurs interact with their complex and dynamic institutional environments.

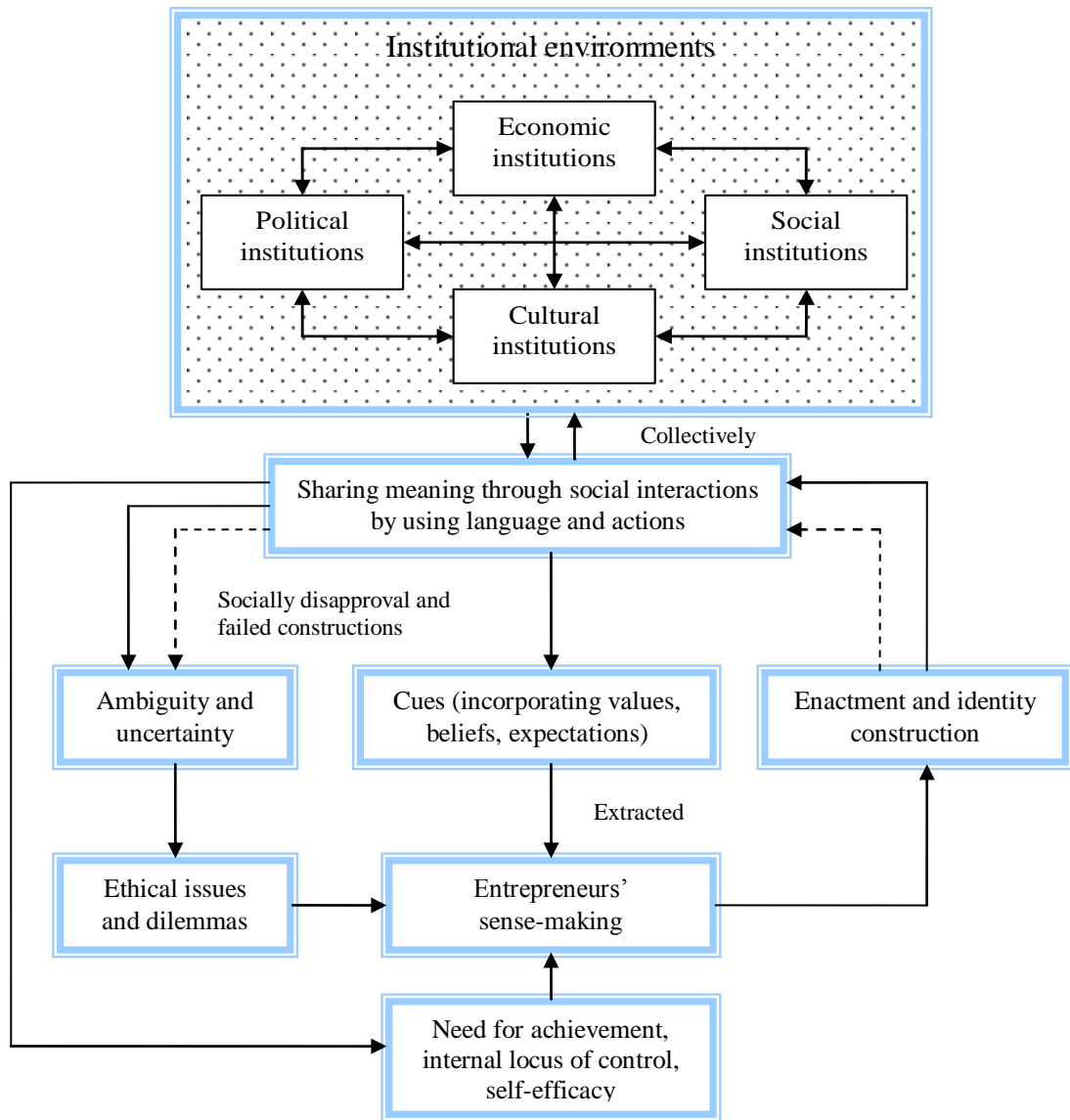
The above identification and characterisation of all these ethical issues shows that the business ethics bound up in entrepreneurship could not be addressed by merely referring to merely economic, or cultural, or legal institutional environments (see more details in Section 7.1.). The complex institutional environment produces various contradicting or compatible cues for entrepreneurs to make sense of the ethical issues. It is however, these entrepreneurs who extract cues, fashion their explanations, assemble plausibility and construct identity. This study thus proposes to advance knowledge by focusing on individual entrepreneurs' sense-making and exploring the process by which they produce and reproduce social reality and enact a sensible environments.

8.1.2. Analysing the Sense-making of Entrepreneurs to Advance Understanding on How Entrepreneurs Perceive, Interpret, and Respond to these Issues

Studying the ethical issues identified in Chapters 5 and 6, the study finds that the entrepreneurs are constantly in situations of ambiguity and uncertainty. Extracting cues from environments to support their plausibility creation, the entrepreneurs observe historically-culturally established templates of the "sensible" or "plausible" employment, seller-business relationships, and government-business relationships, which yield specificities regarding the obligations, rights, and give shape to a relative power between the involved parties. Entrepreneurs utilise this, interpret behaviours or

business practices following these templates as being the right thing to do, and construct their identity accordingly. However, there are often contradicting norms or values, which can be observed, which lead to ambiguity, and which requires choice. Entrepreneurs may find themselves without any reference to refer to and thus stand in a situation of uncertainty. In both situations of ambiguity and uncertainty (discussed in the Section 4.2.), entrepreneurs need to engage in the activities of sense-making. Especially in China, the economy is in transition, institutional environments are in flux and more sense-making is underway. This means that many taken-for-granted values, norms and business practices are being questioned. For example, Chinese respondents reported different stances to *guanxi* and its practices since their traditional roots are increasingly impacted by the developing economic and legal infrastructure.

The following figure begins to indicate how entrepreneurs make sense of various ethical situations or issues and enact the “environments” which deliver plausibility.



Entrepreneurial sense-making and enactment in addressing ethical issues and dilemmas

The above figure shows how entrepreneurs make sense of ethical issues and dilemmas and enact the sensible or plausible environment in various ethical situations. The figure begins from a general description of institutional environments where entrepreneurs as sense-makers located. Such environments consist of various institutions, including economic, political, social and cultural institutions. These institutions are not always consistent with but very often are contradicting to each other. Institutions are established and disseminated through social interactions with language and actions as medium. In the situations where institutional environments provide too many or no interpretations, ambiguity and uncertainty arise. According to the reports of Chinese respondents, the occasions of ambiguity and uncertainty are

more frequent and salient than those faced by their British peers. The transition economy and emerging socio-economic orders conflicts with many aspects of the historically-culturally rooted patterns of human relationships. This is further complicated by the influence from an underdeveloped legal infrastructure. Thus Chinese entrepreneurs locate in a more complex, dynamic, in other words, more ambiguous and uncertain institutional environment, which brings up more frequent sense-making of Chinese respondents than their British counterparts. At the individual level, entrepreneurs face and deal with these ambiguity and uncertainty, which are often presented as ethical issues and dilemmas.

The entrepreneurs thus set out to address these right or wrong issues by making sense of them. They extract cues from the intuitional environment and these cues have been perceived as being socially approved and providing legitimacy to their arguments or actions. Chinese respondents report more complexity and diversification in extracting the cues to assemble plausibility for their arguments. These cues are either from traditional templates of doing business and conducting relationships, or Confucian values, or the influence of Western business practices, or historically rooted business routines (For example, employment relationship routines of state-owned enterprises in a time of planning economy), or other structural characteristics that they observe (For example, the observation of an abundant labour market).

The reports from British and Chinese respondents also show that their sense-making is influenced by their need for achievement, internal locus of control and self-efficacy. The respondents take for granted that they have to consider their profits and business growth in dealing with issues emerging in their social relationships. Their expressions demonstrate that they are enthusiastic to control and direct the situations toward what they are looking forward to as entrepreneurs. They also describe themselves with knowledge, capability and skill to address the ethical issues and dilemmas. However, the influence of these entrepreneurial characteristics is historically and culturally embedded. That means, the scope, depth, form of applying these characteristics in the sense-making are varied between different cultures. For example, Chinese respondents were more open, straightforward and public in announcing that their actions are motivated by their need for achievement (mainly profits and business

growth) than British respondents. That is because in China, the financial success of entrepreneurs is socially valued and encouraged; yet by contrast less attention has been given to the means of acquiring such success. Another example is that in the employment relationships, Chinese respondents expressed more sense of internal locus of control and self-efficacy than their British counterparts. That is because historically-culturally rooted paternalist employment relationships providing them more power and authority in pushing employees to serve employers' business purposes.

As a result of sense-making, the entrepreneurs enact their “sensible” or “plausible” environments and construct their identities. In this study, what respondents enact is concerned with the rules of relationships and the role of themselves and other people in the relationships. Then they convey their enactment and constructed identity to – in other words, sharing their created reality and constructed meaning with – other social actors through social interactions either by language or actions. There are two consequences for such interactions: one is that the enactment and identity construction are shared socially and thus accepted as a component of the institutional environments. Thus as a result, the respondents can either strengthen or weaken extant institutions, or create new institutions by their collective enactments. The other result is that the enactment and constructed identity by the entrepreneurs are socially disapproved – the legitimacy or plausibility of the entrepreneurs' creation is questioned and rejected socially. The failed sense-making sustains the ambiguity or uncertainty in the area and give rise to issues and dilemmas again. The entrepreneurs have to appeal to new round of sense-making in order to make sense of these issues and dilemmas and hence engage in the efforts to enact a “sensible” or “plausible” environment again (for example, q. B522-04).

It is noticeable that the entrepreneurial characteristics of need for achievement, internal locus of control and self-efficacy have salient influence on the sense-making of all the respondents to address their ethical situations. Based on the analysis of the interview data, this study identified three types of ethical situations categorised by these characteristics. The statements of all British and Chinese respondents reflect their strong need for achievement during their interactions with employees, customers,

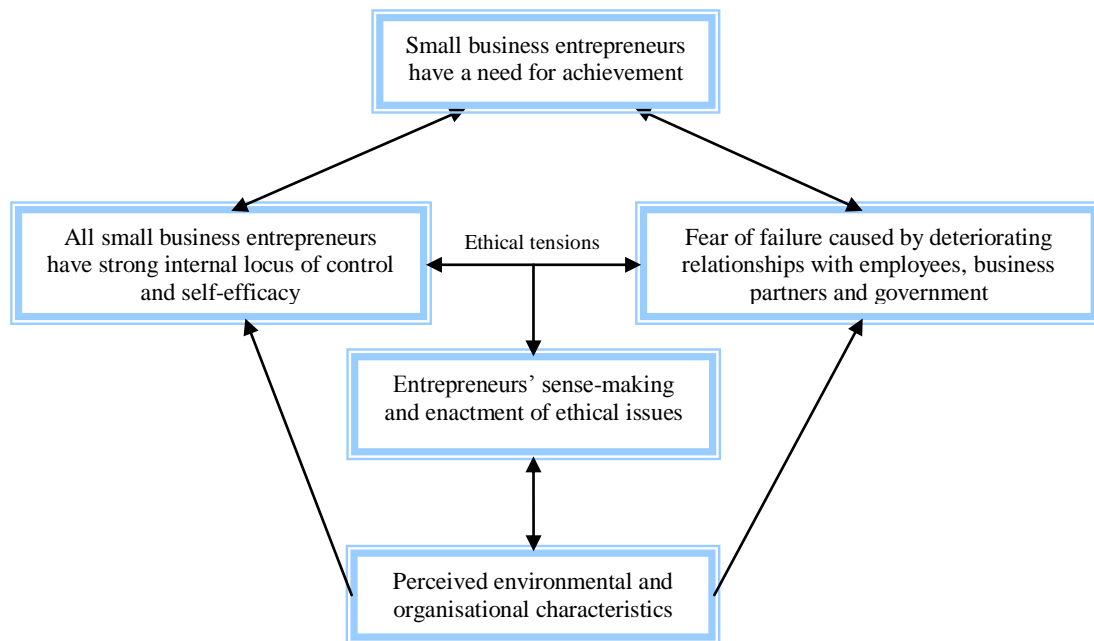
suppliers and the government. In ethical situations, respondents from both countries expressed a strong sense of internal locus of control and self-efficacy, they showed a low tolerance for ambiguity and enthusiastically establish rules and routines to promote their own interests. These situations were common to see in the employment relationships where respondents generally construct their identities as employers possessing power and authority over employees (e.g. q. B521-01 and q. C621-02).

In another type of ethical situations, though external factors played an influential role in producing the outcome, the respondents however, still argued that by their own efforts, they could have an influence on the final outcomes. These situations were seen, for example, when Chinese respondents interpreted the personal relationships as substitutes for formal contracts and endeavoured to develop mutual trust and commitment to reduce the uncertainty and ambiguity of the business relationships (e.g. q. C631-01). Admitting the influence of contractual and legal institutions in business relationships, British respondents emphasised the importance of setting up precautionary measures to prevent possible conflicts or arguments (q. B532-02). By sense-making and enactment to transform ethical situations, these respondents argued that they had internal locus of control and self-efficacy to directly influence the outcome.

In the last type of ethical situations, the respondents interpreted that the outcome was exclusively decided by external factors. They had relatively low level of internal locus of control, self-efficacy and expressed less their sense of need for achievement. For example, in the government-business relationships, most of the Chinese respondents describe the government as powerful, dominant and a commanding authority. Some of them mentioned their unethical practices of bribery and gift-giving with officials and emphasised they were routine for government-business relationships within their business environment (q. C642-01). However, these Chinese respondents also knew these unethical practices were breaching the law and the power exchanged based *guanxi* were still characterised by uncertainty and ambiguity. British entrepreneurs by contrast, emphasised that the law set up the general framework for their interactions with officials and they carried out their relationships according to the law (q. B543-

01). Thus they avoided risks and ambiguity by abiding to the law to carry out the government-business relationships.

The following figure further explores how entrepreneurs emphasise internal locus of control and self-efficacy in order to meet their need for achievement in various ethical situations or issues.



Entrepreneurial characteristics and sense-making of ethical tensions

This study found that all entrepreneur respondents expressed a need for achievement and internal locus of control of social interactions with their employees, customers, suppliers and government (e.g. q. B521-01, q. B531-01, q. B542-01, q. C621-01, q. C631-01, and q. C642-01). They were eager to control the situations and endeavoured to boost their social relationships to serve their needs. The analysis also suggests that the fear of failure deteriorating relationships with employees, business partners and government (e.g. q. B521-02 and q. C621-02) was present too. Such concerns, we can argue, stimulates respondents to express a sense of internal locus of control and self-efficacy in order to command the situation and relationships and this minimise the anxiety and worry (e.g. q. B521-02 and q. C621-02). In so doing, often ethical tensions formed and the entrepreneurs engaged in the processes of sense-making and enactment of the environment, where they could manage plausibly ethical situations

or issues. Under these tensions, the entrepreneur respondents engaged in the ongoing process of sense-making and enacted sensible environments.

However, the extent to which, the entrepreneur respondents could exert their control over the situation was also related to their perception of environmental characteristics (e.g. q. B524-01, q. C622-06, and q. C622-07) and organisational characteristics (e.g. q. B521-02 and q. C621-01). The variance of ethical tensions was presented as different in the UK and China. The findings of this study empirically support Delma's argument (2006) that the characteristics of entrepreneurs are socially engendered and of cultural and historical specificity. In the next section, this study discusses its contribution in mapping the institutional features and contributing to the knowledge on the business ethics of entrepreneurship in different socio-cultural systems.

8.1.3. Identifying the Different Cultural, Value Resources, Examining the Features and Factors Involved, and Contributing to the Knowledge on the Business Ethics in Relation to the Social Process of Entrepreneurship in Different Socio-Cultural Systems

As discussed in the Section 3.3., business researchers explain the similarities and differences emerging in business and ethical values and relevant business practices in cross-cultural contexts in different ways. Some researchers focus on the similarities and interpret it as a result of a transition economy, in the context of China for example. Thus the changing socio-economic environment influences the entrepreneurs operating in a transition economy to engage in modifying their individual values and beliefs and adopt similar business practices and behaviours to their Western counterparts (Convergence theory, Chapter 3). Meanwhile, other researchers argued that the national culture accounts for the ethical decision making and thus shapes distinguishable business routines and relationships of business people (Divergence theory, Chapter 3). This study contributes to research in this area by developing the third opinion (Cross-vergence theory, Chapter 3) – both economic and cultural institutional factors are extracted as cues and interweaved into plausible creation and identity construction by the respondents during their engagement in their social relationships. This study not only pays attention to the entrepreneurs' ethical

establishments, but also the processes, by which the entrepreneurs continuously construct their ethical reality and are involved in the formation of ethical issues. Business people are proactive social actors who observed various individual, organisational and environmental factors and use them as cues to create their plausible stories and construct identities.

The researcher finds that Chinese and British small business entrepreneurs share many of the same ethical anxieties, dilemmas and ethical issues (see Section 7.2. and 8.2. for details). Equally though a considerable number of ethical issues are identified as of particular significance in the process of Chinese entrepreneurship and distinguishable from those experienced in the UK. These particular issues are culture related and concerned with the poorer development of a market economic infrastructure in China and the underdeveloped legal infrastructure. This study agrees with cross-vergence theory, which emphasises that economic actors may integrate cultural and economic ideological influences and create a unique value system (Ralston *et al.*, 1993). This study empirically advances cross-vergence theory by exploring the actual reports of entrepreneurs engaging in the process of this creation in terms of Weick's (1995) sense-making properties. This study pays particular attention to the individual entrepreneurs: how they express and seem to, interpret and respond to ethical issues in different cultural contexts.

This study advances knowledge further by examining the institutional features and the creative role of entrepreneurs in institutionalisation. In the employment relationships, the researcher found respondents from both countries developed their employment relationships to pursue profits and business growth. Whilst Chinese respondents tended to be more profit centred, British respondents tended to focus on increasing motivations to encourage more contributions from employees. Respondents from both countries claimed their owner-manager status entitled them to manage and oblige employees to serve their purposes. Chinese respondents emphasised more power and authority in being an entrepreneur than British respondents. This may be connected with cultural differences such as the typical power distance trends in the two countries. In addition, Chinese respondents also highlighted that benevolence should cover both work and personal relationships with employees, while British respondents argued

that the employment relationships were limited to working relationships. Moreover, British and Chinese respondents shared opinions on being entrepreneurial leaders, which focused on open, candid and employee-centred relationships construction. However, Chinese respondents verbally incorporated motivational skills into their benevolent behaviours and personal relationship obligations. Furthermore, in the employment relationships, British respondents highlighted the function of the contract and the law while Chinese respondents emphasised the importance of personal relationships and informal negotiation processes. This shows that the different developing level of legal infrastructure in the UK and China influenced respondents' interpretation of what was ethically right or wrong behaviours in employment relationships. In sum, according to the respondents, employment relationships in China were paternalist in nature while those in the UK were characterised by benevolent autocracy.

In business relationships, British respondents placed their focus on the efficiency considerations of quality and price in building relationships with suppliers and customers. In business relationships, Chinese respondents emphasised the status of personal relationship with suppliers and customers. In addition, British respondents expressed a higher level of trust of business partners than their Chinese counterparts. This may be connected with their reliance on the contracts and legal institutions to maintain business relationships clarify business obligations and rights and resolve conflicts. In contrast, Chinese respondents, due to a lack of formal institutional support, showed a strong sense of distrust in their business partners. They plausibly utter their ethical stances – the reliance on informal personal relationship as a substitute for formal contractual and legal protection. Moreover, British respondents claimed their business relationships were based more on the contracts while Chinese respondents gave their attention to the personal relationships and belittled the role of the law and contracts.

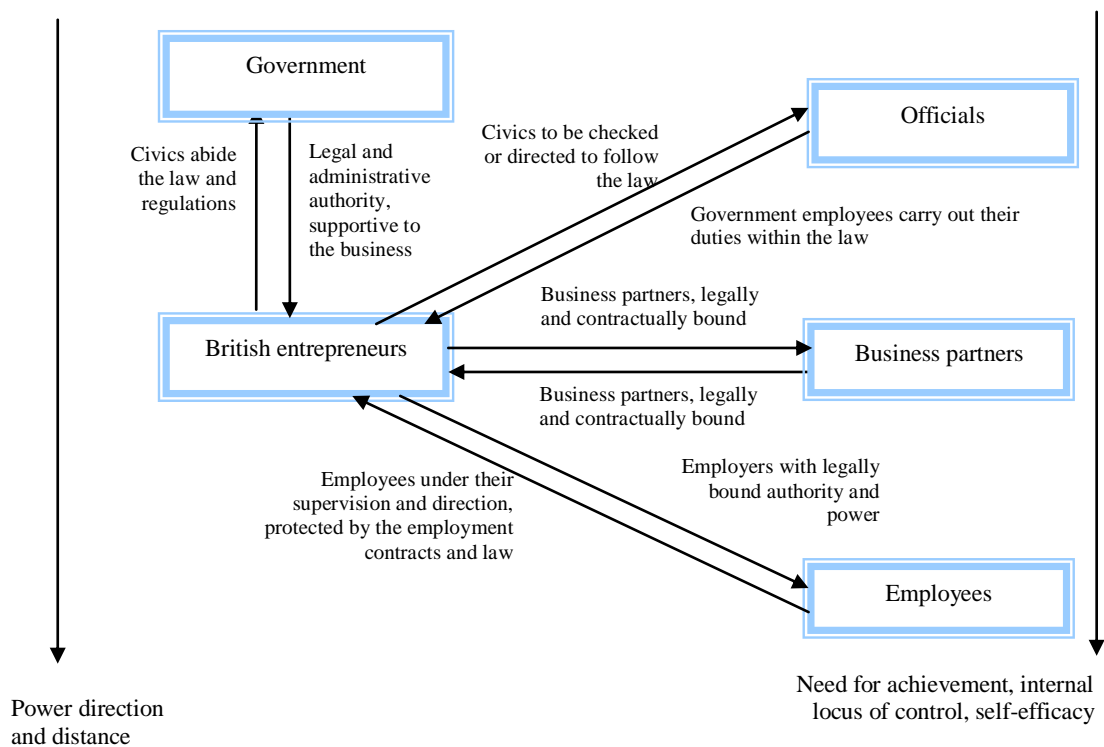
In the government-business relationships, British respondents reported that they were detached from government. They, however, proposed that the government should support small businesses and entrepreneurship as part of their relationships with such entities. Despite the recent shift towards decentralisation, Chinese respondents

admitted that the government was still powerful and influential. However, the respondents' stances in relation to the relationships with officials differed greatly. Different templates of entrepreneurial action in government-business relationships were reflected in the statements of Chinese respondents. They either sought to build strong personal relationships with officials for their own interests; or cut off the relationships with the government and officials in order to avoid problems associated with demanding officials. Alternatively the entrepreneurs made decision based on their practical needs and efficiency considerations as whether to build the relationships with officials. This may suggest a connection between economic and political reform as well as legal system development. In addition, British respondents expressed that they adhered to the law and regulations. British respondents reflected that public officials were helpful in their efforts to adhere to the law and there were no apparent power distance features between them. In the government-business relationships, Chinese respondents claimed that there were changes: the changing attitude of officials, the increasing reliance on formal procedure and decreasing reliance on personal relationships were cited as pertinent examples of this reform process. It is interesting to note that most of Chinese respondents stated that the government and officials increasingly behaved within the boundary of law and legal regulation, which would play an increasingly important role in regulating government/official-business relationships. However, Chinese respondents stated that that the law and legal institutions were of limited use to them in dealing with the government and officials themselves. Government and officials still remained powerful, dominative and commanding superior images in the expression of Chinese entrepreneur respondents. Thus, good relationship with officials is if not ethically justified, at least ethically acceptable.

This study finds that entrepreneur respondents are aware of different templates supported by various institutional forces for their sense-making of the issues of right or wrong. These templates are derived from and supported by economic, political-legal, and socio-cultural forces. They select and use them as cues to creatively fashion plausible stories and enact their environments. Culture in this sense, is an evolving concepts. Entrepreneur respondents apply their values, beliefs and expectations to enact a plausible reality, built up social relationships, and address the issues of right

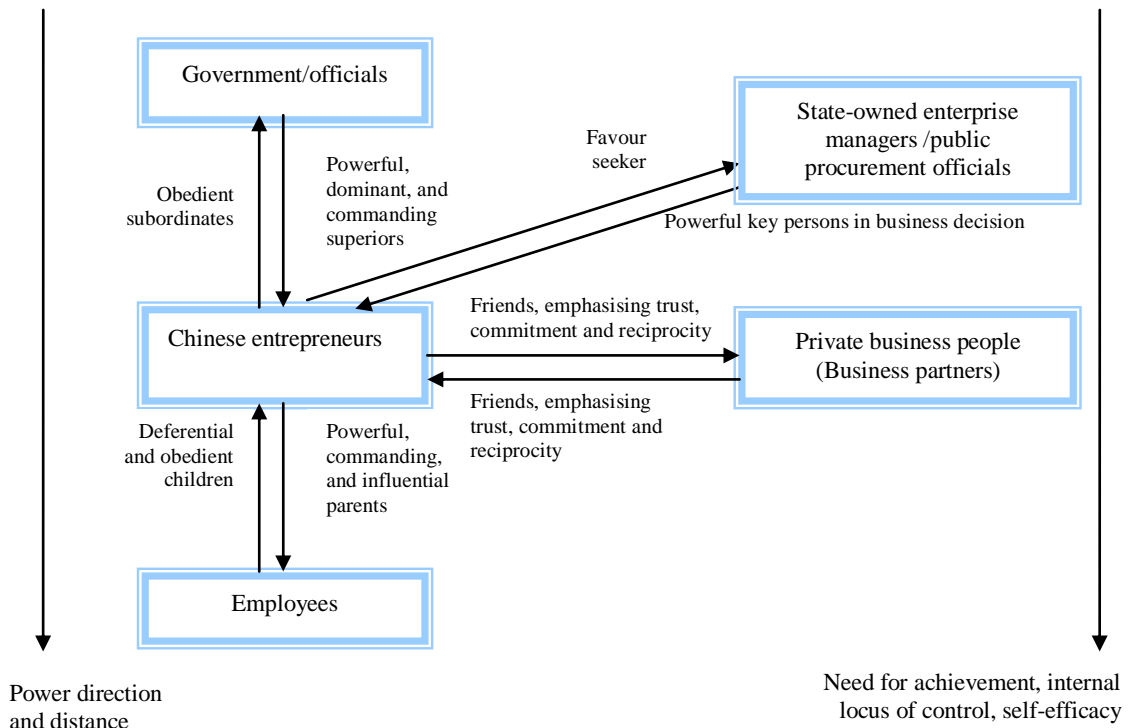
and wrong. As a result, their values, beliefs and expectations are continuously renewed. One salient evidence of the evolving culture and renewed value system is the changing and diversified descriptions of Chinese entrepreneurs regarding their social relationships (*Guanxi*). Such descriptions demonstrate their creative role in the process of institutionalisation. Chinese entrepreneur respondents, refers to both Western business ideology and national culture, creatively enact their social relationships. Reflected in the speech of Chinese entrepreneur respondents, their value system and pattern of behaviours in relation to social relationships are in a changing process, and distinguished from those previous and also those of their Western counterpart.

The following figure presents British entrepreneurs' identity construction and plausible stories in different social relationships, based on the findings in Chapter 5.



British entrepreneurs' identity construction and plausible stories in their social relationships

Referring to the findings in the Chapter 6, the following figure presents entrepreneurs' identity construction and plausible stories in different social relationships in China.



Chinese entrepreneurs' identity construction and plausible stories in their social relationships

It is noticeable that in both of the figures, when respondents' described their positions or roles featured with less power in relation to the other party of the relationships, the frequency and density of expressing their sense of need for achievement, locus of control and self-efficacy declined as well. As a result, the respondents flexibly constructed different identities and enacted various environments to adapt to such changes. Comparing the reports of respondents, this study also found that the scope, nature and forms of power distance and direction in relation to social relationships were varied between cultures. Chinese respondents' expression of relationships were characterised with larger power distance than their British counterparts. Chinese respondents' expression of need for achievement, internal locus of control and self-efficacy are varied with British respondents. In their relationships with parties with a higher status, Chinese respondents expressed themselves with very limited power, low level of control, self-efficacy and need for achievement. Thus their constructed identities and enactments are featured with deference and obedience. By contrast, in their relationships with social actors with a lower status, Chinese respondents

expressed themselves with great power, high level of control, self-efficacy and more explicitly voice their needs for achievement. They created their identities characterised by authority and power, which are expressions in a way with much stronger sense than expressions from British entrepreneurs.

To British entrepreneur respondents, there are less ethical tensions and they make sense of ethical issues by using a legal/contractual template. Thus even in the relationships featuring relatively large power distances, the legal/contractual template clarifies the obligations and rights of relationship parties. Thus ethical tensions and conflicts were less likely to arise or could be glossed by referring to this aspect. In contrast, Chinese entrepreneur respondents admitted the existence of legal/contractual template, but the template is currently less established and hence less useful in their sense-making process, giving rise to the tensions and anxieties. Notably, they referred to Chinese templates of traditional culture and focussed mainly on personal relationships, status and power. Significantly, how they make sense of ethical issues depends on whether they perceived that they were weaker or stronger than the other party to the relationship. With weaker employers and a clear sense of this power and control, ethical issue are more easily glossed and dealt with. With relative equal private business partners, they endeavoured to build personal relationships and emphasise friendship, trust, commitment and reciprocity that exists between them. This swiftly deals with ethics of sorts. However, where they tended to be more deferential and obedient and sought to build power exchange based relationships, there were more likely to engage in unethical behaviours of kickbacks and bribes with the stronger parties - officials and some business partners (i.e. state-owned enterprise managers /public procurement officials). Ethical tensions and the issue of transition or linking to the underdeveloped legal infrastructure as assisting then were noted.

By comparing identity construction and plausible story creation of the respondents in different social relationships, entrepreneurs are clearly active participants and strategically respond to the different contextual issues. This is particularly evident in the sense-making of Chinese entrepreneurs, who are located in the transition economy and are seemingly influenced by different socio-cultural templates, including the economic, political, cultural, social and historical templates of being an entrepreneur.

These conflicting templates make 'sense making' a more difficult process for Chinese entrepreneurs; which makes the reconciliation of Chinese entrepreneurs self interest with their social behaviour a much more complex concept. The ambiguity and uncertainty provided ground for such frequent and complicated sense-making processes. British entrepreneurs share many of the self-interest concerns of their Chinese counter-parts; but because they seem to have less complex and conflicting templates to guide their social behaviour they have an easier job of sense making and of publicly presenting how they deal with ethical issues and dilemmas brought before them in their role.

Given these findings, this study provided empirical support for the call to advance neoinstitutional theory, which gives attention to the voluntaristic role of agency (DiMaggio, 1988, DiMaggio & Powell, 1991). Entrepreneurial respondents do not mechanically receive influences from their institutional environment. As we saw here, in contrast, they were actively involved in creating, adopting, modifying and rejecting the institutions. In line with the structuration theory (Giddens, 1976, 1979, 1984), entrepreneur respondents do make sense of and act to change structures which enable and constrain their future actions in light of their need for achievement and interests.

The theoretical contributions of this study are substantial and arise from the employment of methodologies and approaches.

8.2. Methodological Contributions

This study contributes to the knowledge by applying social science theories in its original conceptual framework. Current entrepreneurship research calls for more empirical studies with a well explicated theoretical base (Hisrich & Drnovsek, 2002; Crane & Matten, 2007). The main theoretical basis of this study is social constructionism (Berger and Luckman 1967) and sense-making theories (Weick, 1995). Thus the researcher sought to focus on how entrepreneurs express and thereby construct social reality and knowledge and set against through their social interactions with their main stakeholders.

The employment of sense-making theories directs the researcher's attention to how the entrepreneurs create plausible stories and enact a sensible world by using language. Language, it is noted, provides the practical means for people to make sense of issues and enact a sensible world. Entrepreneur respondents' expression is characterised by significances derived from their distinguished prior experience of language and life. Through conducting discourse analysis and examining the language that individual entrepreneurs use (discourses and texts) in constructing meanings and making sense of their world, the researcher is able to explore the shared meanings, assumptions and plausible stories underlying the language used.

Up to date, as the researcher noted, this study is the first one employing sense-making approach along with social constructionist theory in researching entrepreneurial business ethics. The methodological contributions of this research are not only limited in this area, but also towards business ethics and entrepreneurship, these two broad research disciplines respectively, given the insightful findings of this study. Another methodological feature of this study is the adoption of Weick's seven properties to build up the conceptual framework and also as an analysing tool in the empirical research. Weick (1995, p. 18 – 61) propounds seven properties to explain the process of the sense-making. However, existing research rarely used these properties in the investigation process, particularly data analysis, including the works from Weick himself. As a methodological step forward, this study directly adopts these properties to address the aims and objectives of this study.

Sense-making is grounded in identity construction. This study investigated the sense-making process of entrepreneurs and answered the question "who is the entrepreneur?" in social and ethical terms. This has been done through analysing the statements of respondents – how and what they think about the ethical issues, their role and others that arise, and how they address issues regarding right and wrong. For example, in the employment relationships, respondents from both countries reflected that their employees tended to work unenthusiastically and indifferently. They thus argued that they have to increase their activities to supervising and monitoring to oblige the employees to work. These respondents thus constructed part of their

entrepreneur identity as supervisor overseeing the working of employees for their own benefits (e.g. q. B522-02 and q. C622-03).

Sense-making is retrospective and enacts sensible environments. The entrepreneur respondents constantly revisit history and made sense of their past experiences. This study attended to their creation of meanings based on analysing how they make sense of their past experience and enact environments today. This is always the case and without this, human beings would have no anchor.

Allied to this, it is the point that sense-making is social and ongoing. Sense-making is inter-subjective – and the researcher is a part of this. In this study, we see the ways. Entrepreneur respondents made sense of ethical situations and issues and repeated aspects of their social interaction with employees, customers, suppliers and government/officials. In complex ways, these stakeholders influence respondents' thoughts, feelings and behaviours and ethical stances. Sense-making never begins, never stops and is ongoing. Locating in a ever changing environment, entrepreneurs are engaged in shaping and reshaping their ethical stances in various ethical situations during their dynamic interactions with their relevant stakeholders (e.g. Respondent 6 at q. B522-02, q. B523-02 and q. B523-03 and Respondent 7 at q. B521-01 and q. B523-01).

Sense-making is based on extracted cues and rests more on plausibility than accuracy. This study finds that the British respondents had less cues to extract than their Chinese counterparts. According to British respondents, their relationships relied largely on the contractual and legal institutions and were thus relatively certain and stable in nature. In contrast, Chinese respondents' expression shows that their relevant experiences are characterised by flux – they had more cues, more flexibility and more anxiety and uncertainty to deal with. Chinese respondents claimed that they rely on the personal relationship, status and power to make sense of the relationship. Conflicting in cues kept on emerging and they had to constantly engage in the sense-making in order to reduce the flux of ethical issues and address issues related to the rights and wrongs in such a changing environment. Chinese respondents rarely mentioned cues regarding contractual and legal institutions in their construction of

relationships. This was connected to the underdeveloped legal infrastructure and rule-of-law legal system. Through the analysis of such cues expressed by the respondents, this study is able to map the ways, through which institutional features and factors are recognised, expressed and utilised to yield constant and enabling functions, here as they discuss their experience of being an entrepreneur.

That sense-making is based on plausibility rather than accuracy, the findings of this study provides empirical support for this argument as Weick (1995) notes. The sense-making of entrepreneur respondents is indeed shown to be concerned with plausibility, pragmatics, coherence, reasonableness, creation, invention and instrumentality and these remains as the core features of their talks. A typical example is how Chinese respondents referred to different templates of entrepreneurial activities and sought to blend their own rules and routines in relation to government-business relationships. Those who benefited from strong personal relationships with officials tended to enthusiastically build and strengthen the relationships for their own interests (e.g. q. C642-01). Those seeing officials as demanding or greedy authorities tended to cut off the relationships with government and officials and hope the legal framework continues to be established on future ground (q. C642-02).

“Sense-making is central because it is the primary site where meanings materialise that inform and constrain identity and action” (Weick *et al.*, 2005, p. 409). Retrieving their selected past experiences from memory, the entrepreneur respondents rationalised their input behaviours and business practices over alternative courses of action. This is a cognitive process but socially imbued and always socially materialising. Through this process, the entrepreneurs interweave various factors to create plausible stories. The use of language is of critical importance in entrepreneurs’ sense-making: “The language of sense-making captures the realities of agency, flow, equivocality, transience, reaccomplishment, unfolding, and emergence, realities that are often obscured by the language of variables, nouns, quantities, and structures” (Weick *et al.*, 2005, p. 410). While briefly speaking, given this study’s core objectives and aims, some attention was given to discourse analysis (DA) in terms of being sensitive to the use of spoken, written or signed language. DA pays particular attention to how members of investigated social settings fashion their version of

reality from many viable renditions. DA explores how the socially constructed ideas and objects constituting the world are created in the first place and how they are maintained and held in place overtime (Phillips & Hardy, 2002). DA, then, enables the researcher to investigate how entrepreneurs use language to construct phenomena rather than to reflect and reveal the phenomena. It is a tool for researchers to study sense-making by explore entrepreneurs' spoken language and texts.

This study also relied on the adoption of ethnographic features in order to understand national cultures. The researcher however did not employ participant observations of entrepreneurs. Instead, he purposely modified his reference frame by observing the institutional environments and interacting with the locals. The researcher is submerged in both national and business cultures as that experienced by the respondents themselves. The researcher has extended life experience in both the UK (6 years) and China (26 years). As a result of extended study, work and life experience, the researcher has the cultural knowledge and experience necessary to inform an analysis from the relative "inside."

8.3. Evaluation and Areas for Future Research

While the insight into the core topic results and a contribution to the existing knowledge in this area is offered here, the researcher also recognises some limitations. First, the sampling population was located in the northeast of China and the Midlands area of the UK. However, my research objectives of this study were to begin to open up a still under-researched area and this is exploratory work. However, it remains important to recognise this limitation especially since, for example, in China there are many subcultures which may yield additional findings. Indeed, the respondents themselves reflected that there were relevant differences between northern and southern Chinese businesspeople (e.g. q. C631-03). This observation also supports the argument of Fisher and Lovell (2009) that competing sets of values may exist in business and management within a country or society. Thus further research in other areas of the UK and China in order to examine the influences of subcultures on the entrepreneurial ethics would add to our knowledge base.

In addition, this study adopts social constructionism theory as part of its methodology. It relies on interviews and self reports and the next step would be to pay close attention to the social interactions. Issues of access and ways to handle the data are barriers but are beginning to be overcome. Furthermore, studies could also be carried out to investigate the stories of other stakeholders within the relationships, aside from the entrepreneurs themselves, and then go on to compare these findings with the findings of this study. The researcher believes that more insights and contributions will be produced.

Furthermore, this study experienced difficulties regarding the relevant language and cultural barriers (for example, translation issues) requiring a substantial amount of time to understand social theories written in English. The complex academic language of social science theories did create difficulties for the researcher here: English is my second language and efforts to grasp the exact meaning of some of the vocabulary used within this literature and when in the field due to the nuances of dialect or non-standard English certainly provided a challenge. The researcher has learned a lot. If teams of researchers with different language competencies were recruited, then it would save much time and insight would be greatly enhanced.

References

- Ackoff, R. L. 1987, "Business Ethics and the Entrepreneur", *Journal of Business Venturing*, vol. 2, no. 3, pp. 185-191.
- Adler, N. J. 1983, "Cross-Cultural Management Research: The Ostrich and the Trend", *Academy of Management Review*, vol. 8, no. 2, pp. 226-232.
- Adler, N. J. 1991, *International Dimensions of Organisational Behaviour*, 2 edn, Kent Publishing Company, Boston, Mass.
- Agar, M. 1987, "Transcript Handling: An Ethnographic Strategy", *The Oral History Review*, vol. 15, no. 1, pp. 209-219.
- Ahern, K. J. 1999, "Ten Tips for Reflexive Bracketing", *Qualitative Health Research*, vol. 9, no. 3, pp. 407-411.
- Aldrich, H. E. & Zimmer, C. 1986, "Entrepreneurship Through Social Networks," in *The Art and Science of Entrepreneurship*, D. L. Sexton & R. W. Smilor, eds., Ballinger, Cambridge, MA, pp. 3-23.
- Aldrich, H. E. & Wiedenmayer, G. 1993, "From Traits to Rates: An Ecological Perspective on Organisational Foundings," in *Advances in Entrepreneurship, Firm Emergence, and Growth (Volume 1)*, J. A. Katz & R. H. Brockhaus, eds., JAI Press, Greenwich, CN, pp. 145-195.
- Alvesson, M. & Skoldberg, K. 2000, *Reflexive Methodology: New Vistas for Qualitative Research*, Sage Publications Inc, London.
- Ambler, T. 1995, "Reflections in China: Re-Orienting Images of Marketing", *Marketing Management*, vol. 4, no. 1, pp. 22-30.
- Anderson, E. & Weitz, B. 1990, "Determinants of Continuity in Conventional Industrial Channel Dyads", *Marketing Science*, vol. Fall, no. 8, pp. 310-323.
- Anderson, J. C. & Narus, J. A. 1990, "A Model of Distributor Firm and Manufacturer Firm Working Partnerships", *Journal of Marketing*, vol. 54, no. 1, pp. 42-58.

Antoncic, B. & Hisrich, R. D. 2003, "Clarifying the Intrapreneurship Concept", *Journal of Small Business and Enterprise Development*, vol. 10, no. 1, pp. 7-24.

Appell, A. L. 1984, *A Practical Approach to Human Behaviour in Business*, Charles E. Merrill Publishing Co., Columbus Ohio.

Arnould, E. J. & Wallendorf, M. 1994, "Market-Oriented Ethnography: Interpretation Building and Marketing Strategy Formulation", *Journal of Marketing Research*, vol. 31, no. 4, pp. 484-504.

Atkinson, P. & Hammersley, M. 1994, "Ethnography and Participant Observation," in *Handbook of Qualitative Research*, N. K. Denzin & Y. S. LINCOLN, eds., Sage, London, pp. 248-261.

Audretsch, D. B. 2006, "Entrepreneurship Policy and the Strategic Management of Places," in *Entrepreneurship, Innovation And Economic Growth*, D. B. Audretsch, ed., Edward Elgar Publishing, Cheltenham, pp. 395-416.

Baker, D., Thorne, S., Blair, C., & Gamson, D. "Cognition, Culture, and Institutions: Affinities within the Social Construction of Reality", in *The Annual Meeting of the American Sociological Association*, Montreal, Quebec, Canada.

Bamford, C., Dean, T., & McDougall, P. 1996, "Initial Founding Conditions and New Firm Performance: a Longitudinal Study Integrating Predictions from Multiple Perspectives," in *Frontiers of Entrepreneurship Research*, P. D. Reynolds et al., eds., Babson College, Wellesley, MA, pp. 465-479.

Bandura, A. 1997, *Self-Efficacy: The Exercise of Control*, Freeman, New York.

Barley, S. R. & Tolbert, P. S. 1997, "Institutionalization and Structuration: Studying the Links Between Action and Institution", *Organisation Studies*, vol. 18, no. 1, pp. 93-117.

Barnett, J. H. & Karson, M. J. 1987, "Personal Values and Business Decisions: An Exploratory Investigation", *Journal of Business Ethics*, vol. 6, no. 5, pp. 371-382.

Baumol, W. J. 1968, "Entrepreneurship in Economic Theory", *American Economic Review*, vol. 58, no. 2, pp. 64-71.

Beaver, G. 2002, *Small Business, Entrepreneurship and Enterprise Development*, FT/Prentice Hall, Englewood Cliffs, NJ.

Beaver, G. 2003a, "Editorial: Management and the Small Firm", *Strategic Change*, vol. 12, no. 2, pp. 63-68.

Beaver, G. 2003b, "Editorial: Small Business: Success and Failure", *Strategic Change*, vol. 12, no. 3, pp. 115-122.

Beaver, G. 2003c, "Editorial: Small Firms: Owners and Entrepreneurs", *Strategic Change*, vol. 12, no. 4, pp. 177-183.

Beaver, G. 2007, "The Strategy Payoff for Smaller Enterprises", *Journal of Business Strategy*, vol. 28, no. 1, pp. 11-17.

Beaver, G. & Harris, L. 1995, "Performance Management and the Small Firm: Dilemmas, Tensions and Paradoxes", *Strategic Change*, vol. 4, no. 2, pp. 109-119.

Beaver, G. & Jennings, P.L. 1995, "Picking Winners: the Art of Identifying Successful Small Firms," in *Rethinking Strategic Management*, D. Hussey, ed., Wiley, New York, pp. 91-106.

Beaver, G. & Jennings, P.L. 2000, Editorial Overview: Small Business, Entrepreneurship and Enterprise Development. *Strategic Change*, vol. 9, no. 7, 397-403.

Beaver, G. & Jennings, P.L. 2005, "Competitive Advantage and Entrepreneurial Power: the Dark Side of Entrepreneurship", *Journal of Small Business and Enterprise Development*, vol. 12, no. 1, pp. 9-23.

Beaver, G. & Prince, C. 2002, "Innovation, Entrepreneurship and Competitive Advantage in the Entrepreneurial Venture", *Journal of Small Business and Enterprise Development*, vol. 9, no. 1, pp. 28-37.

Beaver, G. & Prince, C. 2004, "Management, Strategy and Policy in the UK Small Business Sector: a critical review", *Journal of Small Business and Enterprise Development*, vol. 11, no. 1, pp. 34-49.

Becker, H. & Fritzsche, D. J. 1987, "A Comparison of the Ethical Behaviour of American, French and German Managers", *Columbia Journal of World Business*, vol. 22, no. 4, pp. 87-96.

Belson, W. A. 1967, "Tape Recording: Its Effect on Accuracy of Response in Survey Interviews", *Journal of Marketing Research*, vol. 4, no. 3, pp. 253-260.

Berger, P. L. & Luckmann, T. 1967, *The Social Construction of Reality: A Treatise in the Sociology of Knowledge*, Anchor, Garden City, NY.

Bian, Y. 1997, "Bringing Strong Ties Back in: Indirect Ties, Network Bridges, and Job Searches in China", *American Sociological Review*, vol. 62, no. 3, pp. 366-385.

Bian, Y. & Zhang, Z. 2006, "Explaining China's Emerging Private Economy: Sociological perspective," in *China's Domestic Private Firms: Multidisciplinary Perspectives on Management and Performance*, A. S. Tsui, Y. Bian, & L. Cheng, eds., ME Sharpe, New York, pp. 25-39.

Billig, M. 1996, *Arguing and Thinking: A Rhetorical Approach to Social Psychology*, 2 edn, Cambridge University Press, Cambridge.

Blumer, H. 1969, *Symbolic Interactionism: Perspective and Method*, Prentice Hall, Englewood Cliffs, NJ.

Brand, V. & Slater, A. 2003, "Using a Qualitative Approach to Gain Insights into the Business Ethics Experiences of Australian Managers in China", *Journal of Business Ethics*, vol. 45, no. 3, pp. 167-182.

Brenkert, G. 2002, "Entrepreneurship, Ethics, and the Good Society", *The Ruffin Series*, vol. 3, pp. 5-43.

Bridge, S., O'Neill, K., & Cromie, S. 2003, *Understanding Enterprise, Entrepreneurship and Small Business*, Macmillan, Palgrave.

Brigley, S. 1995, "Business Ethics in Context: Researching with Case Studies", *Journal of Business Ethics*, vol. 14, no. 3, pp. 219-226.

Brockhaus, R. H. & Nord, W. R. 1979, "An Exploration of Factors Affecting the Entrepreneurial Decision: Personal Characteristics vs. Environmental Conditions", *Proceedings, Academy of Management (August)* pp. 364-368.

Brockhaus, R. H. 1980, "Risk Taking Propensity of Entrepreneurs", *Academy of Management Journal*, vol. 23, no. 3, pp. 509-520.

Brockhaus, R. H. S. & Horowitz, P. S. 1986, "The Psychology of the Entrepreneur," in *The Art and Science of Entrepreneurship*, D. L. Sexton & R. W. Smilor, eds., Ballinger, Cambridge, MA, pp. 25-48.

Brown, D. J. & King, J. B. 1982, "Small Business Ethics: Influences and Perceptions", *Journal of Small Business Management*, vol. 20, no. 1, pp. 11-18.

Bruun, O. 1993, *Business and Bureaucracy in a Chinese City: An Ethnography of Private Business Households in Contemporary China* Institute of East Asian Studies, University of California, Berkeley.

Bruun, O. 1995, "Political Hierarchy and Private Entrepreneurship in a Chinese Neighbourhood," in *The Waning of the Communist State. Economic Origin of Political Decline in China and Hungary*, A. G. Walder, ed., University of California Press, Berkeley, pp. 184-212.

Bryman, A. 2004, *Social Research Methods*, 2 edn, Oxford University Press, New York.

Bucar, B. & Hisrich, R. D. 2001, "Ethics of Business Managers vs. Entrepreneurs", *Journal of Developmental Entrepreneurship*, vol. 6, no. 1, pp. 59-82.

Bucar, B., Glas, M., & Hisrich, R. D. 2003, "Ethics and Entrepreneurs: An International Comparative Study", *Journal of Business Venturing*, vol. 18, no. 2, pp. 261-281.

Buchholz, R. A. & Rosenthal, S. B. 1999, "Social Responsibility and Business Ethics," in *A Companion to Business Ethics*, R. E. Frederick, ed., Blackwell Publishers, Oxford, UK, pp. 303-321.

Burgess, R. G. 1991, *In the Field: An Introduction to Field Research*, Routledge, London.

Burr, V. 2003, *Social Constructionism*, 2 edn, Routledge, London.

Carr, P. 2003, "Revisiting the Protestant Ethic and the Spirit of Capitalism: Understanding the Relationship between Ethics and Enterprise", *Journal of Business Ethics*, vol. 47, no. 1, pp. 7-16.

Carroll, G. & Mosakowski, E. 1987, "The Career Dynamics of Self-employment", *Administrative Science Quarterly*, vol. 32, pp. 570-589.

Carter, C. R. 2000, "Ethical Issues in International Buyer-Supplier Relationships: A Dyadic Examination", *Journal of Operations Management*, vol. 18, no. 2, pp. 191-208.

Cazal, D. & Inns, D. 1998, "Methapor, Language and Meaning," in *Discourse and Organisation*, D. Grant, T. Keenoy, & C. Oswick, eds., Sage, London, pp. 177-192.

Chan, R. Y. K., Cheng, L. T. W., & Szeto, R. W. F. 2002, "The Dynamics of Guanxi and Ethics for Chinese Executives", *Journal of Business Ethics*, vol. 41, no. 4, pp. 327-336.

Chau, L. L. & Siu, W. 2000, "Ethical Decision-Making in Corporate Entrepreneurial Organisations", *Journal of Business Ethics*, vol. 23, no. 4, pp. 365-375.

Chen, M. 2009, *Asian Management Systems: Chinese, Japanese and Korean Styles of Business*, 2 edn, Cengage Learning, London.

Chen, P. & Partington, D. 2004, "An Interpretive Comparison of Chinese and Western Conceptions of Relationships in Construction Project Management Work", *International Journal of Project Management*, vol. 22, no. 5, pp. 397-406.

Chrisman, J. J. & Fry, F. L. 1982, "Public Versus Business Expectations: Two Views on Social Responsibility for Small Business", *Journal of Small Business Management*, vol. 20, no. 1, pp. 19-26.

Chrisman, J. J. & Archer, R. W. 1984, "Small Business Social Responsibility: Some Perceptions and Insights", *American Journal of Small Business*, vol. 9, no. 2, pp. 46-58.

Chrisman, J. J., Bauerschmidt, A., & Hofer, C. W. 1998, "The Determinants of New Venture Performance: An Extended Model", *Entrepreneurship: Theory and Practice*, vol. 23, no. 1, pp. 5-7.

Chu, G. C. & Ju, Y. 1993, *The Great Wall In Ruins*, State University of New York Press, NY.

Cicourel, A. V. 1982, "Interviews Surveys and the Problem of Ecological Validity", *American Sociologist*, vol. 17, no. 1, pp. 11-20.

Clark, D. 1999, "The Many Meanings of the Rule of Law," in *Law, Capitalism and Power in Asia: The Rule of Law and Legal Institutions*, K. Jayasuriya, ed., Routledge, London, pp. 28-44.

Clarke, R. & Aram, J. 1997, "Universal Values, Behavioural Ethics and Entrepreneurship", *Journal of Business Ethics*, vol. 16, no. 5, pp. 561-572.

Collins, J. W. 1994, "Is Business Ethics an Oxymoron?", *Business Horizons*, vol. 37, no. 5, pp. 1-8.

Cooke, F. L. 2005, "Employment Relations in Small Commercial Businesses in China", *Industrial Relations Journal*, vol. 36, no. 1, pp. 19-37.

Cooper, A. C. 2003, "Entrepreneurship: The Past, the Present, and the Future," in *Handbook of Entrepreneurship Research*, Z. J. Acs & D. B. Audretsch, eds., Kluwer Academic Publishers, London, pp. 21-34.

Cornwall, J. R. & Naughton, M. J. 2003, "Who is the Good Entrepreneur? An Exploration within the Catholic Social Tradition", *Journal of Business Ethics*, vol. 44, no. 1, pp. 61-75.

Crane, A. 1999, "Are You Ethical? Please Tick Yes or No: On Researching Ethics in Business Organisations", *Journal of Business Ethics*, vol. 20, no. 3, pp. 237-248.

Crane, A. & Matten, D. 2007, *Business Ethics: Managing Corporate Citizenship and Sustainability in the Age of Globalization*, Oxford University Press, Oxford.

Cuba, E. G. & Lincoln, Y. S. 1994, "Competing Paradigms in Qualitative Research," in *Handbook of Qualitative Research*, N. K. Denzin & Y. S. Lincoln, eds., Sage Publications, CA, pp. 105-117.

Curran, J. 1991, "Employment and Employment Relations in the Small Enterprise," in *Bolton 20 Years On - The Small Firm in the 1990s*, J. Stanworth & C. Gray, eds., Paul Chapman Press, London, pp. 190-208.

Curran, J. 2000, "What is Small Business Policy in the UK for? Evaluation and Assessing Small Business Policies", *International Small Business Journal*, vol. 18, no. 3, pp. 36-50.

D'Aveni, R. A. & Gunther, R. E. 1994, *Hypercompetition: Managing the Dynamics of Strategic Maneuvering*, Maxwell Macmillan International, New York.

Dacin, M. T., Goodstein, J., & Scott, W. R. 2002, "Institutional Theory and Institutional Change: Introduction to the Special Research Forum", *Academy of Management Journal*, vol. 45, no. 1, pp. 43-56.

Davidsson, P., Low, M. B., & Wright, M. 2001, "Editor's Introduction: Low and MacMillan Ten Years On: Achievements and Future Directions for Entrepreneurship Research", *Entrepreneurship: Theory & Practice*, vol. 25, no. 4, pp. 5-15.

Davies, H., Leung, T. K. P., Luk, S. T. K., & Wong, Y. 1995, "The Benefits of "Guanxi": The Value of Relationships in Developing the Chinese Market", *Industrial Marketing Management*, vol. 24, no. 3, pp. 207-214.

Delamont, S. 2004, "Ethnography and Participant Observation," in *Qualitative Research Practice*, C. Seale et al., eds., Sage Publications Inc, London, pp. 217-229.

Delmar, F. 1994, "The Risk Management of the Entrepreneur: An Economic Psychological Perspective", *Journal of Enterprising Culture*, vol. 2, no. 2, pp. 735-751.

Delmar, F. 2006, "The Psychology of the Entrepreneur," in *Enterprise and Small Business: Principles, Practice and Policy*, 2 edn, S. Carter & D. Jones-Evans, eds., Pearson Education Ltd, Harlow, pp. 152-175.

Dervin, B. 1992, "From the Mind's Eye of The User: the Sense-Making Qualitative-Quantitative Methodology," in *Qualitative Research in Information Management*, J. D. Glazier & R. R. Powell, eds., Libraries Unlimited, Englewood, CO, pp. 61-84.

Dervin, B. 1999, "On Studying Information Seeking Methodologically: The Implications of Connecting Metatheory to Method", *Information Processing and Management*, vol. 35, no. 6, pp. 727-750.

Dervin, B. & Frenette, M. 2001, "Sense-making Methodology: Communicating Communicatively with Campaign Audiences," in *Public Communication Campaigns*, 3 edn, R. E. Rice & C. K. Atkin, eds., Sage Publications, London, pp. 69-87.

Dicey, A. V. 1959, *An Introduction to the Study of the Law of the Constitution*, 10 edn, Auflage, London.

Dillard, J. F., Rigsby, J. T., & Goodman, C. 2004, "The Making and Remaking of Organisation Context", *Accounting, Auditing & Accountability Journal*, vol. 17, no. 4, pp. 506-542.

DiMaggio, P. J. & Powell, W. W. 1983, "The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields", *American Sociological Review*, vol. 48, no. 2, pp. 147-160.

DiMaggio, P. J. 1988, "Interest and Agency in Institutional Theory," in *Institutional Patterns and Organisations: Culture and Environment*, L. G. Zucker, ed., Ballinger, Cambridge, MA, pp. 3-21.

DiMaggio, P. J. & Powell, W. W. 1991, *The New Institutionalism in Organisational Analysis* University of Chicago Press, Chicago.

Dunfee, T. W. & Warren, D. E. 2001, "Is Guanxi Ethical? A Normative Analysis of Doing Business in China", *Journal of Business Ethics*, vol. 32, no. 3, pp. 191-204.

EAC Group 1993, *Guanxi in Contemporary China*, East Asian Consultancy, Singapore.

Easterby-Smith, M., Thorpe, R., & Lowe, A. 2002, *Management Research: An Introduction* Sage, London.

Egri, C. P. & Ralston, D. A. 2004, "Generation Cohorts and Personal Values: A Comparison of China and the US", *Organisation Science*, vol. 15, no. 2, pp. 210-220.

Ensley, M. D. & Amason, A. C. 1999, "Entrepreneurial Team Heterogeneity and the Moderating Effects of Environmental Volatility and Team Tenure on New Venture Performance," in *Frontiers of Entrepreneurship Research*, P. D. Reynolds et al., eds., Babson College, Babson Park, MA, pp. 505-517.

Esterson, A. 1972, *The Leaves of Spring: A Study in the Dialectic of Madness*, Penguin, London.

Etzioni, A. 1987, "Entrepreneurship, Adaptation and Legitimation: A Macro-behavioral Perspective", *Journal of Economic Behaviour and Organization*, vol. 8, pp. 175-189.

European Foundation for the Improvement of Living and Working Conditions (EFILWC) 2001, *Employment Conditions in Micro and Small Firms*, Prepared by the Basque Institute of Research and Studies (IKea).

Fairclough, N. 1995, *Critical Discourse Analysis: The Critical Study of Language*, Longman, London.

Fairclough, N. & Wodak, R. 1997, "Critical Discourse Analysis," in *Introduction to Discourse Analysis*, T. A. van Dijk, ed., Sage, London, pp. 258-284.

Fan, Y. 2000, "A Classification of Chinese Culture", *Cross Cultural Management: An International Journal*, vol. 7, no. 2, pp. 3-10.

Fan, Y. 2007, ""Guanxi", Government and Corporate Reputation in China", *Marketing Intelligence and Planning*, vol. 25, no. 5, pp. 499-510.

Farh, J. L. & Cheng, B. S. 2000, "A Cultural Analysis of Paternalistic Leadership in Chinese Organisations," in *Management and Organizations in the Chinese Context*, J. Y. Li, A. S. Tsui, & E. Weldon, eds., MacMillan, Palgrave, pp. 94-127.

Farh, J. L., Cheng, B. S., Chou, L. F., & Chu, X. P. 2006, "Authority and Benevolence: Employees' Responses to Paternalistic Leadership in China," in *China's Domestic Private Firms: Multidisciplinary Perspectives on Management and Performance*, A. S. Tsui, Y. Bian, & L. Cheng, eds., ME Sharpe, New York, pp. 230-260.

Farjoun, M. 2002, "Towards an Organic Perspective on Strategy", *Strategic Management Journal*, vol. 23, no. 7, pp. 561-594.

Fassin, Y. 2005, "The Reasons Behind Non-Ethical Behaviour in Business and Entrepreneurship", *Journal of Business Ethics*, vol. 60, no. 3, pp. 265-279.

Fernandez, J. 1986, *Persuasions and Performances: The Play of Tropes in Culture*, Bloomington, IN, Indiana University Press.

Fetterman, D. M. 1998, *Ethnography: Step by Step*, Sage, London.

Firth, R. 1951, *Elements of Social Organisation*, Watts & Co., London.

Fisher, C. & Lovell, A. 2006, *Business Ethics and Values: Individual, Corporate and International Perspectives* Prentice Hall, Harlow.

Fisher, C. & Lovell, A. 2009, *Business Ethics and Values: Individual, Corporate and International Perspectives*, 3 edn, Prentice Hall, Harlow.

Fisscher, O., Frenkel, D., Lurie, Y., & Nijhof, A. 2005, "Stretching the Frontiers: Exploring the Relationships between Entrepreneurship and Ethics", *Journal of Business Ethics*, vol. 60, no. 3, pp. 207-209.

Friedman, M. 1970, "The Social Responsibility of Business is to Increase its Profits", *New York Times Magazine*, vol. 13, no. 1970, pp. 32-33.

- Furnham, A. & Ribchester, T. 1995, "Tolerance of Ambiguity: A Review of the Concept, Its Measurement and Applications", *Current Psychology*, vol. 14, no. 3, pp. 179-199.
- Fuxman, L. 1997, "Ethical Dilemmas of Doing Business in Post-Soviet Ukraine", *Journal of Business Ethics*, vol. 16, no. 12-23, pp. 1273-1282.
- Ganesan, S. 1994, "Determinants of Long-Term Orientation in Buyer-Seller Relationships", *Journal of Marketing*, vol. 58, no. April, pp. 1-19.
- Garten, J. E. 1998, "Opening the Doors for Business in China", *Harvard Business Review*, vol. 76, no. 3, pp. 167-175.
- Gartner, W. B. 1988, "'Who is an Entrepreneur?' Is the Wrong Question", *American Journal of Small Business*, vol. 12, no. 4, pp. 11-32.
- Gartner, W. B. 1993, "Words Lead to Deeds: Towards an Organisational Emergence Vocabulary", *Journal of Business Venturing*, vol. 8, no. 3, pp. 231-239.
- Gates, H. 1996, *China's Motor: A Thousand Years of Petty Capitalism*, Cornell University Press, Ithaca, NY.
- Gergen, K. J. 1985, "The Social Constructionist Movement in Modern Psychology", *American Psychologist*, vol. 40, no. 3, pp. 266-275.
- Gergen, K. J. & Gergen, M. M. 1991, "Toward Reflexive Methodologies," in *Research and Reflexivity*, F. Steier, ed., Sage, Newbury, CA, pp. 76-95.
- Gergen, K. J. & Shotter, J. 1992, "Inquires of Social Construction (Editors' note)," in *Therapy as Social Construction*, S. McNamee & K. J. Gergen, eds., Sage Publications Inc, Thousands Oaks, CA, p. ii.
- Gergen, K. J. 1999, *An Invitation to Social Construction* Sage Publications Ltd, London.
- Ghuri, P. N., Gronhaug, K., & Kristianslund, I. 2002, *Research Methods in Business Studies: A Practical Guide*, 2 edn, Prentice Hall, Harlow.

- Giddens, A. 1976, *New Rules of Sociological Method*, Hutchinson, London.
- Giddens, A. 1979, *Central Problems in Social Theory: Action, Structure, and Contradiction in Social Analysis* University of California Press, Berkeley, CA.
- Giddens, A. 1984, *The Constitution of Society: Outline of the Theory of Structure*, University of California Press, Berkeley, CA.
- Gifford, S. 2003, "Risk and Uncertainty," in *Handbook of Entrepreneurship Research: An Interdisciplinary Survey and Introduction*, Z. J. Acs & D. B. Audretsch, eds., Kluwer Academic Publishers, pp. 37-54.
- Gilman, M., Edwards, P., Ram, M., & Arrowsmith, J. 2002, "Pay Determination in Small Firms in the UK: the Case of the Response to the National Minimum Wage", *Industrial Relations Journal*, vol. 33, no. 1, pp. 52-67.
- Glaser, B. G. & Strauss, A. L. 1967, "The Discovery of Grounded Theory," Aldine, Chicago.
- Glaser, B. G. 1978, *Theoretical Sensitivity: Advances in the Methodology of Grounded Theory*, Sociology Press, Mill Valley, CA.
- Goffman, E. 1959, *The Presentation of Self in Everyday Life*, Doubleday, New York.
- Gold, T. B. 1990, "Urban Private Business and Social Change," in *Chinese Society on the Eve of Tiananmen*, D. Davis & E. F. Vogel, eds., Harvard University Press, Cambridge, MA, pp. 157-178.
- Goodenough, W. 1971, *Culture, Language and Society*, Addison-Wesley, Reading, MA.
- Goodstein, J. D. 1994, "Institutional Pressures and Strategic Responsiveness: Employer Involvement in Work-Family Issues", *Academy of Management Journal*, vol. 37, no. 2, pp. 350-382.
- Goss, D. 1991, *Small Business and Society*, Routledge, London.

- Gouldner, A. W. 1960, "The Norm of Reciprocity: A Preliminary Statement", *American Sociological Review*, vol. 25, no. 2, pp. 161-178.
- Grant, D., Keenoy, T., & Osrick, C. 1998, "Introduction: Organisational Discourse of Diversity, Dichotomy, and Multi-Disciplinarily," in *Discourse and Organisation*, D. Grant, T. Keenoy, & C. Osrick, eds., Sage, London, pp. 1-14.
- Greening, D. W. & Gray, B. 1994, "Testing a Model of Organisational Response to Social and Political Issues", *Academy of Management Journal*, vol. 37, no. 3, pp. 467-498.
- Gregory, N. F., Tenev, S., & Wagle, D. M. 2000, *China's Emerging Private Enterprises: Prospects for the New Century*, International Finance Corporation, Washington DC.
- Gronroos, C. 1994, "From Marketing Mix to Relationship Marketing: Towards a Paradigm Shift in Marketing", *Asia-Australia Marketing Journal*, vol. 2, no. 1, pp. 9-29.
- Guthrie, D. 1998, "The Declining Significance of Guanxi in China's Economic Transition", *The China Quarterly*, vol. June, no. 154, pp. 254-282.
- Hall, E. T. 1983, *The Dance of Life: The Other Dimension of Time*, New York, Anchor Books.
- Hall, E. T. & Hall, M. R. 1987, *Hidden Differences: Doing Business with the Japanese*, Anchor Press, New York.
- Hall, E. T. 1989, *Beyond Culture*, Anchor Books, New York.
- Hammersley, M. & Atkinson, P. 1995, *Ethnography: Principles in Practice*, Routledge, London.
- Hampden-Turner, C. & Trompenaars, A. 1993, *The Seven Cultures of Capitalism; Value Systems for Creating Wealth in the United States, Japan, Germany, France, Britain, Sweden, and the Netherlands*, Doubleday, New York.

Hannafey, F. T. 2003, "Entrepreneurship and Ethics: A Literature Review", *Journal of Business Ethics*, vol. 46, no. 2, pp. 99-110.

Hansemark, O. C. 2003, "Need for Achievement, Locus of Control and the Prediction of Business Start-ups: A Longitudinal Study", *Journal of Economic Psychology*, vol. 24, no. 3, pp. 301-319.

Hao, Y. 1999, "From Rule of Man to Rule of Law: An Unintended Consequence of Corruption in China in the 1990s", *Journal of Contemporary China*, vol. 8, no. 22, pp. 405-423.

He, S. 1994, "Warning: Misplacement of Moral Concepts in Contemporary China", *Shehui (Society)*, vol. 110 (March), pp. 93-94.

Healey, M. & Rawlinson, M. 1994, "Interviewing Techniques in Business and Management Research," in *Principles and Practice in Business and Management Research*, V. J. Wass & P. E. Wells, eds., Dartmouth Publishing Company, Aldershot, pp. 123-145.

Hendrischke, H. 2007, "Networks as Business Networks," in *China's Economy in the 21st Century: Enterprise and Business Behaviour*, B. Krug & H. Hendrischke, eds., Edward Elgar, London, pp. 202-222.

Herron, L. & Sapienza, H. J. 1992, "The Entrepreneur and the Initiation of New Venture Launch Activities", *Entrepreneurship: Theory and Practice*, vol. 17, no. 1, pp. 49-55.

Herron, L., Sapienza, H. J., & Smith-Cook, D. 1991, "Entrepreneurship Theory from an Interdisciplinary Perspective: Volume I", *Entrepreneurship: Theory and Practice*, vol. 16, no. 2, pp. 7-12.

Hisrich, R. D. 1990, "Entrepreneurship/Intrapreneurship", *American Psychologist*, vol. 45, no. 2, pp. 209-222.

Hisrich, R. D. & Drnovsek, M. 2002, "Entrepreneurship and Small Business Research - A European Perspective", *Journal of Small Business and Enterprise Development*, vol. 9, no. 2, pp. 172-222.

Hisrich, R. D. & Peters, M. P. 2002, *Entrepreneurship*, 5 edn, McGraw-Hill, Boston, MA.

Hisrich, R. D., Peters, M. P., & Shepherd, D. A. 2005, *Entrepreneurship*, 6th ed., McGraw-Hill, New York.

Hodder, R. 2009, *Merchant Princes of the East*, John Wiley & Sons, Singapore.

Hofstede, G. 1983, "National Cultures in Four Dimensions: A Research-Based Theory of Cultural Differences among Nations", *International Studies of Management and Organization*, vol. 13, no. 1-2, pp. 46-74.

Hofstede, G. & Hofstede, G. J. 2005, *Cultures and Organisations: Software of the Mind*, 2 edn, McGraw-Hill, New York.

Hofstede, G. H. 1980, *Culture's Consequences: International Differences in Work-Related Values*, Sage Publications, Beverly Hills.

Hofstede, G. H. 1991, *Cultures and Organisations: Software of the Mind*, McGraw-Hill, London.

Holden, N. 2002, *Cross-Cultural Management: A Knowledge Management Perspective*, Pearson Education, Harlow.

Holliday, R. 1995, *Investigating Small Firms: Nice Work?* Routledge, London.

Hong, Y. 2001, "The Practice of Business Ethics in China: We Need a Parent", *Business Ethics: A European Review*, vol. 10, no. 2, pp. 87-91.

Hu, H. C. 1944, "The Chinese Concepts of "Face"", *American Anthropologist*, vol. 46, no. 1, pp. 45-64.

Hudson, R. & Wehrell, R. 2005, "Socially Responsible Investors and the Microentrepreneur: A Canadian Case", *Journal of Business Ethics*, vol. 60, no. 3, pp. 281-292.

Hui, C. H. & Triandis, H. C. 1985, "Measurement in Cross-Cultural Psychology: A Review and Comparison of Strategies", *Journal of Cross-Cultural Psychology*, vol. 16, no. 2, pp. 131-152.

Hyrsky, H. & Tunnanen, M. 1999, "Innovativeness and Risk-taking Propensity: A Cross-Cultural Study of Finnish and US Entrepreneurs and Small Business Owners", *Liiketaloudellinen Aikakauskirja*, vol. 48, pp. 238-256.

Ireland, R. & Hitt, M. 1997, "Performance Strategies for High-growth Entrepreneurial Firms," in *Frontiers of Entrepreneurship Research*, P. D. Reynolds et al., eds., Babson College, Wellesley, Massachusetts, pp. 101-104.

Izraeli, D. 1988, "Ethical Beliefs and Behaviour among Managers: A Cross-Cultural Perspective", *Journal of Business Ethics*, vol. 7, no. 4, pp. 263-271.

Jepperson, R. L. 1991, "Institutions, Institutional Effects, and Institutionalism," in *The New Institutionalism in Organizational Analysis*, W. W. Powell & P. J. DiMaggio, eds., The University of Chicago Press, Chicago, pp. 143-163.

Jones-Evans, D. 2006, "Corporate Entrepreneurship," in *Enterprise and Small Business: Principles, Practice and Policy*, S. Carter & D. Jones-Evans, eds., Financial Times Prentice Hall, London, pp. 266-290.

Jorgensen, D. L. 1989, *Participant Observation*, Sage Publications, London.

Karande, K., Shankarmahesh, M. N., Rao, C. P., & Rashid, Z. M. 2000, "Perceived Moral Intensity, Ethical Perception, and Ethical Intention of American and Malaysian managers: A Comparative Study", *International Business Review*, vol. 9, no. 1, pp. 37-59.

Kets de Vries, M. F. R. 1985, "The Dark Side of Entrepreneurship", *Harvard Business Review*, vol. 63, no. 6, pp. 160-167.

Kirby, D. A. 2006, "Leadership, Entrepreneurship and Management of Small Businesses," in *Enterprise and Small Business: Principles, Practice and Policy*, 2 edn, S. Carter & D. Jones-Evans, eds., Financial Times Prentice Hall, London, pp. 291-302.

Klein, H. K. & Myers, M. D. 1999, "A Set of Principles for Conducting and Evaluating Interpretive Field Studies in Information Systems", *Management Information Systems Quarterly*, vol. 23, no. 1, pp. 67-93.

Knight, F. H. 1921, *Risk, Uncertainty and Profit*, Houghton Mifflin, New York.

Kroeber, A. L. & Kluckhohn, C. 1952, *Culture: A Critical Review of Concepts and Definitions*, Harvard University Press, Cambridge, Mass.

Krueger, A. 1974, "The Political Economy of the Rent-Seeking Society", *American Economic Review*, vol. 64, no. 3, pp. 291-303.

Krueger, N. F. 2003, "The Cognitive Psychology of Entrepreneurship," in *Handbook of Entrepreneurial Research*, Z. J. Acs & D. B. Audretsch, eds., Kluwer Academic Publisher, Boston, pp. 105-140.

Kublmann, E. 1994, "Customers," in *Business Ethics: A European Approach*, B. Harvey, ed., Prentice Hall, London, pp. 103-123.

Lee, J. 1996, "Culture and Management - A Study of Small Chinese Family Business in Singapore", *Journal of Small Business Management*, vol. 34, no. 3, pp. 63-67.

Lemke, D., Schminke, M., & Donaldson, L. "Wither Goest Thou? Seeking Trends in Organisation Theory Research in the 1990's".

Leung, P. & Cooper, B. J. 1994, "Ethics In Accountancy: A Classroom Experience", *Accounting Education*, vol. 3, no. 1, pp. 19-33.

Levine, M. J. 1997, *Worker Rights and Labour Standards in Asia's Four New Tigers: A Comparative Perspective*, Plenum Pub Corp, New York.

Liang, Z. 1989, "Explicating" Law": A Comparative Perspective of Chinese and Western Legal Culture", *Journal of Chinese Law*, vol. 3, pp. 55-91.

Liles, P. R. 1974, *New Business Ventures and the Entrepreneur*, R.D. Irwin, Homewood,IL.

Lin, X. & Miller, S. J. 2003, "Negotiation Approaches: Direct and Indirect Effect of National Culture", *International Marketing Review*, vol. 20, no. 3, pp. 286-303.

Lincoln, Y. S. & Guba, E. G. 1985, *Naturalistic Inquiry*, Sage Publications Inc, London.

Liu, L. & Xiong, G. 1994, "'Red-Envelope' Phenomenon Analyzed in Context of Market Competition", *Faxue (Jurisprudence)*, vol. 151 (June), pp. 7-10.

Longenecker, J. G., McKinney, J. A., & Moore, C. W. 1988, "Egoism and Independence: Entrepreneurial Ethics", *Organisational Dynamics*, vol. 16, no. 3, pp. 64-72.

Longenecker, J. G., McKinney, J. A., & Moore, C. W. 1989, "Ethics in Small Business", *Journal of Small Business Management*, vol. 27, no. 1.

Longenecker, J. G., McKinney, J. A., & Moore, C. W. 1995, "Ethical Attitudes, Issues, and Pressures in Small Business", in *The International Council for Small Business Conference*, Sydney, Australia.

Longenecker, J. G., Moore, C. W., & Petty, J. W. 1997, *Small Business Management: An Entrepreneurial Emphasis*, 10 edn, South-Western College Publishing, Cincinnati, Ohio.

Longenecker, J. G., Moore, C. W., Petty, J. W., Palich, L. E., & McKinney, J. A. 2006, "Ethical Attitudes in Small Businesses and Large Corporations: Theory and Empirical Findings from a Tracking Study Spanning Three Decades", *Journal of Small Business Management*, vol. 44, no. 2, pp. 167-183.

Louis, M. R. 1980, "Surprise and Sense Making: What Newcomers Experience in Entering Unfamiliar Organisational Settings", *Administrative Science Quarterly*, vol. 25, no. 2, pp. 226-251.

Lovett, S., Simmons, L. C., & Kali, R. 1999, "Guanxi Versus the Market: Ethics and Efficiency", *Journal of International Business Studies*, vol. 30, no. 2, pp. 231-247.

Low, M. B. & MacMillan, I. C. 1988, "Entrepreneurship: Past Research and Future Challenges", *Journal of Management*, vol. 14, no. 2, pp. 139-161.

Lysonski, S. & Gaidis, W. 1991, "A Cross-Cultural Comparison of the Ethics of Business Students", *Journal of Business Ethics*, vol. 10, no. 2, pp. 141-150.

Machan, T. R. 1999, "Entrepreneurship and Ethics", *International Journal of Social Economics*, vol. 26, no. 5, pp. 596-609.

MacInnis, P. 1993, "Guanxi or Contract: A Way to Understand and Predict Conflict between Chinese and Western Senior Managers in China-Based Joint Ventures," in *Research on Multinational Business Management and Internationalisation of Chinese Enterprises*, D. McCarty & S. Hille, eds., Nangjing University, Nangjing, China, pp. 345-351.

MacNeil, I. R. 1980, *The New Social Contract: an Inquiry into Modern Contractual Relations*, Yale University Press, New Haven, CT.

Malik, R. 1997, *Chinese Entrepreneurs in the Economic Development of China*, Greenwood Publishing Group, London.

Mangen, S. 2007, "Qualitative Research Methods in Cross-National Settings," in *Cross-national Research Methodology and Practice*, L. Hantrais & S. Mangen, eds., Routledge, Oxon, pp. 19-34.

Marcus, G. E. & Fischer, M. M. J. 1986, *Anthropology as Cultural Critique: An Experimental Moment in the Human Sciences*, the University of Chicago Press, Chicago.

Marlow, S. 2006, "Labour Management and the Small Business," in *Enterprise and Small Business: Principles, Practice and Policy*, 2 edn, S. Carter & D. Jones-Evans, eds., Financial Times Prentice Hall, London, pp. 385-405.

Marshall, G. 1998, *A Dictionary of Sociology*, Oxford, Oxford University Press.

Marshall, H. 1994, "Discourse Analysis in an Occupational Context," in *Qualitative Methods in Organisational Research*, C. Cassell & G. Symon, eds., Sage Publications, London, pp. 91-106.

Martinez, R. J. & Dacin, M. T. 1999, "Efficiency Motives and Normative Forces: Combining Transactions Costs and Institutional Logic", *Journal of Management*, vol. 25, no. 1, pp. 75-96.

Mavondo, F. T. & Rodrigo, E. M. 2001, "The Effect of Relationship Dimensions on Interpersonal and Interorganisational Commitment in Organisations Conducting Business between Australia and China", *Journal of Business Research*, vol. 52, no. 2, pp. 111-121.

Maznevski, M. L. 1994, "Understanding Our Differences: Performance in Decision-Making Groups with Diverse Members", *Human Relations*, vol. 47, no. 5, pp. 531-552.

McAlister, D. T., Ferrell, O. C., & Ferrell, L. 2005, *Business and Society: A Strategic Approach to Social Responsibility*, Houghton Mifflin, New York.

McClelland, D. C. 1961, *The Achieving Society*, Van Nostrand, Princeton, NJ.

McClelland, D. C. 1990, *Human Motivation*, Cambridge University Press, Cambridge.

McDonald, G. 2000, "Cross-Cultural Methodological Issues in Ethical Research", *Journal of Business Ethics*, vol. 27, no. 1, pp. 89-104.

McKenna, E. F. M. 1987, *Psychology in Business*, Laurence Erlbaum, London.

Meyer, J. W. & Rowan, B. 1977, "Institutional Organisations: Formal Structure as Myth and Ceremony", *American Journal of Sociology*, vol. 83, no. 2, pp. 340-363.

Mill, J. S. 1886, *Principles of Political Economy with Some of Their Applications to Social Philosophy*, 9 edn, Longman, London.

Millington, A., Eberhardt, M., & Wilkinson, B. 2005, "Gift Giving, Guanxi and Illicit Payments in Buyer - Supplier Relations in China: Analysing the Experience of UK Companies", *Journal of Business Ethics*, vol. 57, no. 3, pp. 255-268.

Mills, J. H. 2003, *Making Sense of Organisational Change*, Routledge, London.

Minichiello, V. 1990, *In-depth Interviewing: Researching People*, Longman, Cheshire.

Mitchell, R. K., Busenitz, L., Lant, T., McDougall, P. P., Morse, E. A., & Smith, J. B. 2002, "Toward a Theory of Entrepreneurial Cognition: Rethinking the People Side of Entrepreneurship Research", *Entrepreneurship Theory and Practice*, vol. 27, no. 2, pp. 93-104.

Moore, M. & Gergen, P. 1985, "Risk Taking and Organisational Change", *Training and Development Journal*, vol. 39, no. 6, pp. 72-77.

Muhren, W., Van Den Eede, G., & Van de Walle, B. "Sensemaking as a Methodology for ISCRAM Research: Information Processing in an Ongoing Crisis", Washington DC.

Mummalaneni, V. & Wilson, D. T. 1991, *The Influence of a Close Personal Relationship Between the Buyer and the Seller on the Continued Stability of Their Role Relationship*, Institute for the Study of Business Markets, Pennsylvania State University Park.

Mundial, B. 1993, *The East Asian Miracle: Economic Growth and Public Policy*, Published for the World Bank [by] Oxford University Press, New York.

Murray, H. A. 1938, *Explorations in Personality*, Oxford University Press, New York.

Neck, C. P., Neck, H. M., Manz, C. C., & Godwin, J. 1999, "' I Think I can; I Think I can": A Self-leadership Perspective toward Enhancing Entrepreneur Thought Patterns, Self-efficacy, and Performance", *Journal of Managerial Psychology*, vol. 14, no. 6, pp. 477-501.

Nee, V. 1989, "A Theory of Market Transition: From Redistribution to Markets in State Socialism", *American Sociological Review*, vol. 54, no. 5, pp. 663-681.

Nee, V. & Matthews, R. 1996, "Market Transition and Societal Transformation in Reforming State Socialism", *Annual Reviews in Sociology*, vol. 22, no. 1, pp. 401-435.

Nee, V. 1996, "The Emergence of a Market Society: Changing Mechanisms of Stratification in China", *American Journal of Sociology*, vol. 101, no. 4, pp. 908-949.

Neisser, U. 1967, *Cognitive Psychology*, Appleton-Century-Crofts, New York.

North, D. C. 1991, "Institutions", *Journal of Economic Perspectives*, vol. 5, no. 1, pp. 97-112.

North, D. C. 2004, *Institutions, institutional change, and economic performance* Cambridge University Press, Cambridge.

Oi, J. C. 1998, "The Evolution of Local State Corporatism," in *Zoupong in Transition: The Process of Reform in Rural North China*, A. G. Walder, ed., Harvard University Press, Cambridge, MA, pp. 35-61.

Oi, J. C. 1999, *Rural China Takes Off: Institutional Foundations of Economic Reform*, University of California Press, Berkeley, CA.

Oliver, C. 1991, "Strategic Responses to Institutional Processes", *Academy of Management Review*, vol. 16, no. 1, pp. 145-179.

Osland, G. E. 1990, "Doing Business in China: A Framework for Cross-cultural Understanding", *Marketing Intelligence and Planning*, vol. 8, no. 4, pp. 4-14.

Parker, I. 1992, *Discourse Dynamics: Critical Analysis for Social and Individual Psychology*, Routledge, London.

Parry, J. 2003, "Making Sense of Executive Sensemaking", *Journal of Health Organization and Management*, vol. 17, no. 4, pp. 240-263.

Patton, M. Q. 2002, *Qualitative Research and Evaluation Methods*, 3 edn, Sage, London.

Peerenboom, R. 2002, *China's Long March toward Rule of Law*, Cambridge University Press, Cambridge.

Peppas, S. C. 2004, "US Core Values: A Chinese Perspective", *International Journal of Sociology and Social Policy*, vol. 24, no. 6, pp. 58-75.

Pheng, L. S. & Leong, C. H. Y. 2000, "Cross-cultural Project Management for International Construction in China", *International Journal of Project Management*, vol. 18, no. 5, pp. 307-316.

Phillips, N. & Hardy, C. 2002, *Discourse Analysis: Investigating Processes of Social Construction* Sage Publications Inc, London.

Phillips, N., Lawrence, T. B., & Hardy, C. 2004, "Discourse and Institutions", *Academy of Management Review*, vol. 29, no. 4, pp. 635-652.

Pinchot, G. 1985, *Intrapreneurship*, Harper & Row, New York.

Potter, J. 1997, "Discourse Analysis as a Way of Analysing Naturally Occurring Talk," in *Qualitative Research: Theory, Method and Practice*, D. Silverman, ed., Sage, London, pp. 144-160.

Punch, K. F. 1998, *Introduction to Social Research: Quantitative and Qualitative Approaches*, Sage, Thousand Oaks.

Radaev, V. 1994, "On Some Features of the Normative Behaviour of the New Russian Entrepreneurs", *Problems of Economic Transition*, vol. 37, no. 8, pp. 17-28.

Rainnie, A. 1989, *Industrial Relations in Small Firms*, Routledge, London.

Ralston, D. A., Gustafson, D. J., Cheung, F. M., & Terpstra, R. H. 1993, "Differences in Managerial Values: A Study of US, Hong Kong and PRC Managers", *Journal of International Business Studies*, vol. 24, no. 2, pp. 249-275.

Ram, M. 1991, "The Dynamics of Workplace Relations in Small Firms", *International Small Business Journal*, vol. 10, no. 1, pp. 44-53.

Ram, M. 1994, *Managing to Survive*, Blackwell Publishers, Oxford.

Ram, M., Edwards, P., Gilman, M., & Arrowsmith, J. 2001, "The Dynamics of Informality: Employment Relations in Small Firms and the Effects of Regulatory Change", *Work, Employment and Society*, vol. 15, no. 4, pp. 845-861.

Rand, A. 2007, *Atlas Shrugged*, Penguin, London.

- Randall, D. M. & Gibson, A. M. 1990, "Methodology in Business Ethics Research: A Review and Critical Assessment", *Journal of Business Ethics*, vol. 9, no. 6, pp. 457-471.
- Redding, S. G. 2009, *The Spirit of Chinese Capitalism*, Walter de Gruyter, New York.
- Redfern, K. & Crawford, J. 2004, "An Empirical Investigation of the Ethics Position Questionnaire in the People's Republic of China", *Journal of Business Ethics*, vol. 50, no. 3, pp. 199-210.
- Reisinger, Y. & Turner, L. W. 2003, *Cross-Cultural Behaviour in Tourism: Concepts and Analysis* Butterworth Heinemann, Oxford.
- Reynolds, P. D. 1991, "Sociology and Entrepreneurship: Concepts and Contributions", *Entrepreneurship: Theory and Practice*, vol. 16, no. 2, pp. 47-70.
- Ring, P. S. & Van de Ven, A. H. 1989, "Formal and Informal Dimensions of Transactions," in *Research on the Management of Innovation: The Minnesota Studies*, A. H. Van de Ven, H. L. Angle, & M. S. Poole, eds., Ballinger, New York, pp. 337-366.
- Rodriguez, C. M. & Wilson, D. T. 1995, *Trust me!!!... but How?*, Institute for the Study of Business Markets, Pennsylvania State University Park.
- Rotter, J. B. 1966, "Generalized Expectancies for Internal versus External Control of Reinforcement", *Psychological Monographs*, vol. 80, no. 1, pp. 1-28.
- Rotter, J. B. 1967, "A New Scale for Measurement of Interpersonal Trust", *Journal of Personality*, vol. 35, no. 4, pp. 651-665.
- Rowan, J. 1981, "The Leaves of Spring by Aaron Esterson: an Appreciation," in *Human Inquiry: A Sourcebook of New Paradigm Research*, P. Reason & J. Rowan, eds., John Wiley & Sons Ltd., Chichester, pp. 167-171.
- Sapir, E. 1929, "The Status of Linguistics as A Science", *Language*, vol. 5, no. 4, pp. 207-214.

Saunders, M., Lewis, P., & Thornhill, A. 2003, *Research Methods for Business Students*, Prentice Hall, Harlow.

Savolainen, R. 2006, "Information Use as Gap-Bridging: The Viewpoint of Sense-Making Methodology", *Journal of the American Society for Information Science and Technology*, vol. 57, no. 8, pp. 1116-1125.

Scase, R. 2003, "Employment Relations in Small Firms," in *Industrial Relations Theory and Practice in Britain*, P. Edwards, ed., Blackwell, Oxford, pp. 470-488.

Schere, J. 1982, "Tolerance of Ambiguity as a Discriminating Variable between Entrepreneurs and Managers", *Academy of Management Best Paper Proceedings*, vol. 42, pp. 404-408.

Schnoonhoven, C. B. 2006, "The Emergence of China's Private-Sector Firms," in *China's Domestic Private Firms: Multidisciplinary Perspectives on Management and Performance*, A. S. Tsui, Y. Bian, & L. Cheng, eds., ME Sharpe, New York, pp. 297-310.

Schultze, U. 2000, "A Confessional Account of an Ethnography About Knowledge Work", *Management Information Systems Quarterly*, vol. 24, no. 1, pp. 3-42.

Schumpeter, J. A. 1942, *Socialism, Capitalism and Democracy*, Harper and Brothers, New York.

Schwandt, T. A. 1994, "Constructivist, Interpretivist Approaches to Human Inquiry," in *Handbook of Qualitative Research*, N. K. Denzin & Y. S. Lincoln, eds., Sage Publications (CA), London, pp. 118-137.

Schwartz, S. H. 1994, "Beyond Individualism/Collectivism: New Cultural Dimensions of Values," in *Individualism and Collectivism: Theory, Method, and Applications*, U. Kim et al., eds., SAGE, Thousand Oaks, CA, pp. 85-119.

Schwartzman, H. B. 1993, *Ethnography in Organisations*, Sage Publications, London.

Scott, W. R. & Meyer, J. W. 1983, "The Organisation of Societal Sectors," in *Organizational Environments: Ritual and Rationality*, J. W. Meyer & W. R. Scott, eds., SAGE, Beverly Hills, CA, pp. 129-154.

Scott, W. R. 1991, "Unpacking Institutional Arguments," in *The New Institutionalism in Organisational Analysis*, W. W. Powell & P. J. DiMaggio, eds., University of Chicago Press, Chicago, p. 182.

Scott, W. R. 1995, *Institutions and Organisations: Theory and Research*, Sage, Thousand Oaks.

Scott, W. R. 2001, *Institutions and Organisations*, Sage Publications, London.

Seidman, I. 1991, *Interviewing as Qualitative Research: A guide for Researchers in Education and the Social Sciences*, Teachers College Press.

Sewell, W. H. J. 1992, "A Theory of Structure: Duality, Agency, and Transformation", *American Journal of Sociology*, vol. 98, no. 1, pp. 1-36.

Sexton, D. L. & Bowman, N. 1985, "The Entrepreneur: A Capable Executive and More", *Journal of Business Venturing*, vol. 1, no. 1, pp. 129-140.

Sexton, D. L. 1988, "The Field of Entrepreneurship: Is It Growing or Just Getting Bigger?", *Journal of Small Business Management*, vol. 26, no. 1, pp. 5-8.

Shane, S., Locke, E. A., & Collins, C. J. 2003, "Entrepreneurial Motivation", *Human Resource Management Review*, vol. 13, no. 2, pp. 257-279.

Shaver, K. G. & Scott, L. R. 1991, "Person, Process, Choice: The Psychology of New Venture Creation", *Entrepreneurship Theory and Practice*, vol. 16, no. 2, pp. 23-45.

Solymosy, E. & Masters, J. K. 2002, "Ethics through an Entrepreneurial Lens: Theory and Observation", *Journal of Business Ethics*, vol. 38, no. 3, pp. 227-240.

Spence, J. T. 1985, "Achievement American Style - The Rewards and Costs of individualism", *American Psychologist*, vol. 40, no. 12, pp. 1285-1295.

Spence, L. J. 1999, "Does Size Matter? The State of the Art in Small Business Ethics", *Business Ethics: A European Review*, vol. 8, no. 3, pp. 163-174.

Spence, L. J. & Rutherford, R. 2003, "Small Business and Empirical Perspectives in Business Ethics: Editorial", *Journal of Business Ethics*, vol. 47, no. 1, pp. 1-5.

Spradley, J. P. 1980, *Participant Observations*, Holt, Rinehart and Winston, New York.

Steidlmeier, P. 1999, "Gift Giving, Bribery and Corruption: Ethical Management of Business Relationships in China", *Journal of Business Ethics*, vol. 20, no. 2, pp. 121-132.

Sternberg, E. 2000, *Just Business: Business Ethics in Action*, Oxford University Press, Oxford.

Stoica, M. & Schindehutte, M. 1999, "Understanding Adaptation in Small Firms: Links to Culture and Performance", *Journal of Developmental Entrepreneurship*, vol. 4, no. 1, pp. 1-18.

Storey, D. J. 2003, "Entrepreneurship, Small and Medium Sized Enterprises and Public Policies," in *Handbook of Entrepreneurship Research*, Z. J. Acs & D. B. Audretsch, eds., Kluwer Academic Publishers, Boston, pp. 473-514.

Stubbs, M. 1983, *Discourse Analysis: The Sociolinguistic Analysis of Natural Language*, Blackwell, Oxford.

Su, C. & Littlefield, J. E. 2001, "Entering Guanxi: A Business Ethical Dilemma in Mainland China?", *Journal of Business Ethics*, vol. 33, no. 3, pp. 199-210.

Su, C., Sirgy, M. J., & Littlefield, J. E. 2003, "Is Guanxi Orientation Bad, Ethically Speaking? A Study of Chinese Enterprises", *Journal of Business Ethics*, vol. 44, no. 4, pp. 303-312.

Tan, B. L. B. 2002, "Researching Managerial Values: A Cross-Cultural Comparison", *Journal of Business Research*, vol. 55, no. 10, pp. 815-821.

Tannenbaum, R. & Schmidt, W. H. 1973, "How To Choose a Leadership Pattern", *Harvard Business Review*, vol. May - June, pp. 62-80.

Thomas, J. B., Clark, S. M., & Gioia, D. A. 1993, "Strategic Sensemaking and Organisational Performance: Linkages among Scanning, Interpretation, Action, and Outcomes", *Academy of Management Journal*, vol. 36, no. 2, pp. 239-270.

Thorelli, H. B. 1990, "The Gay Nineties in International Marketing," in *International Marketing Strategy*, H. Thorelli & S. Cavusgil, eds., Pergamon, Oxford.

Thornton, P. H. 1999, "The Sociology of Entrepreneurship", *Annual Reviews in Sociology*, vol. 25, no. 1, pp. 19-46.

Tolbert, P. S. & Zucker, L. G. 1983, "Institutional Sources of Change in the Formal Structure of Organisations: The Diffusion of Civil Service Reform, 1880-1935", *Administrative Science Quarterly*, vol. 28, no. 1, pp. 22-39.

Trevino, L. K. 1986, "Ethical Decision Making in Organizations: A Person-Situation Interactionist Model", *Academy of Management Review*, vol. 11, no. 3, pp. 601-617.

Trompenaars, A. 1993, *Riding the Waves of Culture: Understanding Cultural Diversity in Business*, Economist Books, London.

Trompenaars, A. & Hampden-Turner, C. 2002, *Riding the Waves of Culture: Understanding Diversity in Global Business*, 2 edn, Nicholas Brealey Publishing, London.

Tsang, E. W. K. 1998, "Can Guanxi be a Source of Sustained Competitive Advantage for Doing Business in China?", *Academy of Management Executive*, vol. 12, no. 2, pp. 64-73.

Tsui, A. S., Bian, Y., & Cheng, L. 2006, "Explaining the Growth and Development of the Chinese Domestic Private Sector," in *China's Domestic Private Firms: Multidisciplinary Perspectives on Management and Performance*, A. S. Tsui, Y. Bian, & L. Cheng, eds., ME Sharpe, New York, pp. 3-24.

Usunier, J. C. 1998, *International and Cross-Cultural Management Research*, Sage Publications, London.

van Dijk, T. A. 1997, "The Study of Discourse," in *Discourse as Structure and Process (Discourse Studies : A Multidisciplinary Introduction)*, T. A. van Dijk, ed., SAGE, London, pp. 1-34.

Van Stel, A., Carree, M., & Thurik, R. 2005, "The Effect of Entrepreneurial Activity on National Economic Growth", *Small Business Economics*, vol. 24, no. 3, pp. 311-321.

Vandekerckhove, W. & Dentchev, N. A. 2005, "A Network Perspective on Stakeholder Management: Facilitating Entrepreneurs in the Discovery of Opportunities", *Journal of Business Ethics*, vol. 60, no. 3, pp. 221-232.

Venkataraman, S. 2002, "Stakeholder Value Equilibration and the Entrepreneurial Process", *Business Ethics Quarterly*, The Ruffin Series, No.3, pp. 45-58.

Vogel, D. 1992, "The Globalisation of Business Ethics: Why America Remains Distinctive", *California Management Review*, vol. 35, p. 30.

von Weltzien Hoivik, H. 2007, "East Meets West: Tacit Messages about Business Ethics in Stories Told by Chinese Managers", *Journal of Business Ethics*, vol. 74, no. 4, pp. 457-469.

Walker, G. 2006, "Sense-Making Methodology: A Theory of Method for Public Relations," in *Public Relations Theory II*, C. H. Botan & V. Hazleton, eds., Routledge, London, pp. 393-414.

Wank, D. L. 1995a, "Bureaucratic Patronage and Private Business: Changing Networks of Power in Urban China," in *The Waning of the Communist State. Economic Origin of Political Decline in China and Hungary*, A. G. Walder, ed., University of California Press, Berkeley, pp. 153-183.

Wank, D. L. 1995b, "Private Business, Bureaucracy, and Political Alliance in a Chinese City", *The Australian Journal of Chinese Affairs*, vol. January, no. 33, pp. 55-71.

Wank, D. L. 1999, *Commodifying Communism: Business, Trust, and Politics in a Chinese City*, Cambridge University Press, Cambridge.

Wank, D. L. 2002, "Business-State Clientelism in China: Decline or Evolution?," in *Social Connections in China: Institutions, Culture, and the Changing Nature of*

Guanxi, T. Gold, D. Guthrie, & D. L. Wank, eds., Cambridge University Press, Cambridge, pp. 97-117.

Watson, T. J. 1994, "Managing, Crafting and Researching: Words, Skill and Imagination in Shaping Management Research", *British Journal of Management*, vol. 5, no. Special issue, pp. 77-87.

Weick, K. E. 1979, *The Social Psychology of Organising* Addison, Reading, MA.

Weick, K. E. 1995, *Sensemaking in Organisations*, Sage, London.

Weick, K. E. 2001, *Making Sense of the Organisation*, Blackwell Publishers.

Welsh, D. & Birch, N. J. 1997, "The Ethical Orientation of US Small Business Decision Makers: A Preliminary Study", *Journal of Small Business Strategy (Fall)*, vol. 2, pp. 41-52.

Wempe, J. 2005, "Ethical Entrepreneurship and Fair Trade", *Journal of Business Ethics*, vol. 60, no. 3, pp. 211-220.

Werhane, P. H. 1994, "The Normative/Descriptive Distinction in Methodologies of Business Ethics", *Business Ethics Quarterly*, vol. 4, no. 2, pp. 175-180.

Westwood, R. & Chan, A. 1992, "Headship and Leadership," in *Organisational behaviour: A Southeast Asian Perspective*, R. Westwood, ed., Longman Group, Hong Kong, pp. 123-139.

Whipple, T. W. & Swords, D. F. 1992, "Business Ethics Judgments: A Cross-Cultural Comparison", *Journal of Business Ethics*, vol. 11, no. 9, pp. 671-678.

White, L. P. & Rhodeback, M. J. 1992, "Ethical Dilemmas in Organisation Development: A Cross-Cultural Analysis", *Journal of Business Ethics*, vol. 11, no. 9, pp. 663-670.

Wilkinson, A. 1999, "Employment Relations in SMEs", *Employee Relations*, vol. 21, no. 3, pp. 206-217.

- Williamson, O. E. 1983, "Credible Commitments: Using Hostages to Support Exchange", *American Economic Review*, vol. 73, no. 4, pp. 519-540.
- Wilson, D. T. 1995, "An Integrated Model of Buyer-Seller Relationships", *Journal of the Academy of Marketing Science*, vol. 23, no. 4, pp. 335-345.
- Wilson, E. 1980, "Social Responsibility of Business: What are the Small Business Perspectives?", *Journal of Small Business Management*, vol. 18, no. 3, pp. 17-24.
- Wong, Y. H. & Chan, R. Y. 1999, "Relationship Marketing in China: Guanxi, Favouritism and Adaptation", *Journal of Business Ethics*, vol. 22, no. 2, pp. 107-118.
- Wright, P. C., Szeto, W. F., & Lee, S. K. 2003, "Ethical Perceptions in China: The Reality of Business Ethics in an International Context", *Management Decision*, vol. 41, no. 2, pp. 180-189.
- Wu, W. P. 1994, "Guanxi and its Managerial Implications for Western Firms in China: A Case Study", in *the International Conference on Management Issues for China in the 1990s*, University of Cambridge, Cambridge.
- Wu, W. P. 1996, "Transaction Cost, Cultural Values and Chinese Business Networks: An Integrated Approach", in *International Academic Workshop on Chinese Business Connections in Global and Comparative Perspective*, Beijing, PRC.
- Xin, K. & Pearce, J. 1996, "Guanxi: Good Connections as Substitutes for Institutional Support", *Academy of Management Journal*, vol. 39, no. 6, pp. 1641-1658.
- Yang, K. 2007, *Entrepreneurship in China*, Ashgate Publishing Ltd., Aldershot.
- Yang, M. M. 1994, *Gifts, Favours, and Banquets: The Art of Social Relationships in China*, Cornell University Press, Ithaca, NY.
- Yau, O. H. M. 1988, "Chinese Cultural Values: Their Dimensions and Marketing Implications", *European Journal of Marketing*, vol. 22, no. 5, pp. 44-57.
- Yeung, I. Y. M. & Tung, R. L. 1996, "Achieving Business Success in Confucian Societies: The Importance of Guanxi (Connections)", *Organisational Dynamics*, vol. 25, no. 2, pp. 54-65.

Yin, R. K. 2003, *Case Study Research*, 3 edn, Sage Publications, Thousand Oaks.

Zhang, H., Ming, L., & Liang, C. 2003, *Report of the Development of Private Business in China (1978-2003)*, Social Science Documentation Publishing House, Beijing.

Zhu, Y. 1995, "Major Changes Underway in China's Industrial Relations", *International Labour Review*, vol. 134, no. 1, p. 37.

Zucker, L. G. 1977, "The Role of Institutionalisation in Cultural Persistence", *American Sociological Review*, vol. 42, no. 5, pp. 726-743.