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NEW VENTURE CREATION
IN TWO CHINESE SUBCULTURES:
HONG KONG AND SHANGHAI

WING LAM

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ABSTRACT

New Venture Creation in Two Chinese Subcultures: Hong Kong and Shanghai

This thesis develops and applies an original conceptual and methodological approach to the study of new venture creation in two Chinese subcultures: Hong Kong and Shanghai. Primary attention is given to processes of new venture creation which, it is argued, provides the study with a more appropriate conceptual base for investigating the complex web of elements affecting the way individuals organise resources to create new ventures. A process view of new venture creation provides for more sophisticated theorising on entrepreneurship issues, such as capital, opportunity, human resources, personality traits, and the micro and macro environment. Although the approach developed within the thesis is aimed at advancing understanding of entrepreneurship generally, the analysis is based on fieldwork material collected from two Chinese subcultures. Here the aim is to understand Chinese entrepreneurship and thus Chinese economic success. Chinese business and entrepreneurship literatures are, therefore, examined. Three conceptual themes: institutionalisation, sensemaking/enactment and social embeddedness, are integrated to form the analytical framework of the thesis.

Most existing entrepreneurship studies see entrepreneurship as an outcome of the availability of certain factors such as personality traits, capital, opportunity, risk, human resources, economic structure, state policy, and the social/cultural environment. As a result, these studies tend to focus their research on specific factors as if these are concrete, static elements that exist 'out there'. This study, however, develops a social constructionist view of new venture creation and argues that new venture creation is a consequence of individuals' ongoing sensemaking and enactment of their environment. It is the institutionalised meanings of entrepreneurship that shape the way individuals make sense and enact their environment, thus giving rise to the behaviour of new venture creation. Therefore to understand entrepreneurship, it is essential to understand the institutionalised meanings of entrepreneurship and how they are realised in the two Chinese subcultures. Emphasis is placed on how and why these meanings are shared, shaped and institutionalised and how these in turn shape the way individuals make sense and enact their environment.

The study is conducted through an interpretive, reflexive and ethnographic-style of fieldwork. By analysing how informants from the two Chinese subcultures talk about the different aspects of entrepreneurship, key themes related to entrepreneurship in the Chinese context are identified, further explored and analysed. In particular, the way in which these meanings are shared, shaped and institutionalised are comparatively examined. Following from this, the manner in which these institutionalised meanings then shape the distinguishable characteristics of Chinese business and the pattern of new venture creation are examined. Through investigation of the institutionalised meanings of entrepreneurship, this thesis argues that a social constructionist approach advances understandings of entrepreneurship in general and Chinese entrepreneurship in particular.

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CHAPTER 1 INTRODUCTION

The purpose of this thesis is to develop a conceptual and methodological framework that has the potential to address complex issues in the process of new venture creation. It is argued that a social constructionist view of new venture creation provides a conceptual and methodological framework that helps to understand the distinctive patterns of new venture creation and characteristics of businesses in the Chinese context. Although the approach developed in this thesis is focused on the empirical cases of two Chinese subcultures, it is believed that the conceptual framework developed is useful in advancing the understanding of entrepreneurship in different social contexts.

Chapter 2 discusses the increasingly important economic role played by China and the dominant economic success of ethnic Chinese in Southeast Asian countries. It is interesting to realise that ethnic Chinese businesses, even in countries where overseas Chinese constitute a minority group, still control a disproportionate share of economic activity and drive economic growth (Haley, Tan, & Haley, 1998). The dominant economic role; distinguishable characteristics of Chinese businesses and patterns of business founding under very different political and economic environments has created the interest for the present study. A review of the Chinese business literature has shown that the majority of studies tend to focus on the characteristics of Chinese business, including ownership, leadership, management style and the influence of family and networks. A significant number of these studies tend simply to describe the 'Chinese characteristics'. Some others go further in explaining these characteristics by attributing them to Chinese culture or Chinese philosophy, Confucianism in particular. While these studies make their contribution in advancing knowledge of Chinese business characteristics, they fail to explain how and why these characteristics are formed. One major limitation of these Chinese business studies is their tendency to consider the large number of Chinese businesses as a static phenomenon, while it is argued that Chinese businesses are characterised by a dynamic process of new firm entry and existing firm exit (Hamilton, 1997). It is believed that the economic success of Chinese business is due to their growth in numbers, not in size (Orru, Biggart, & Hamilton, 1997). This has led to the focus of this study on

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the process of new venture creation in the Chinese context. An attempt is then made to examine the relevant literature. It is interesting to realise that relatively little work has been done in this area. Like other Chinese business literature, these studies tend to focus on the characteristics of Chinese business that are believed to contribute to the large number of new businesses being founded, leading to a distinguishable pattern of new venture creation. Other studies, however, focus their studies on the pattern of new venture creation and attribute it to Chinese cultures and family values.

A review of Chinese entrepreneurship literature has helped to realise that new venture creation in the Chinese context is characterised by a distinguishable pattern of business founding, that is, the 'outward radiation' pattern (Tam, 1990). Family businesses, small scale, paternalist and nepotist management styles are the other major characteristics of these Chinese businesses and are believed to be influenced by family, network, state policy, personality traits etc (eg. Wong, 1985; Brown, 1995; Ang & Hong, 2000). According to these studies, the stated characteristics are a consequence of shared Chinese philosophy and Chinese culture. As a result, 'Chinese culture' has become a convenient label that is used to explain everything, but this has a limited contribution to make in enhancing the understanding of Chinese entrepreneurship. In light of this, it is necessary to develop a research framework to recognise the contribution of the different perspectives and to aid the understanding of entrepreneurship in the Chinese context.

In the second part of chapter 2, the entrepreneurship literature is examined. A review of this literature discloses that there is a lack of universally accepted definitions and generally accepted theories in this field, if it can, indeed, be considered as a field. It is argued that this is due to the diversity of domain, research interests, beliefs and assumptions underlying different disciplines (Gartner, 1990). In light of this, it is suggested that researchers should make explicit their purposes, focus and assumptions so that their studies can contribute to the entrepreneurship literature as a whole.

The entrepreneurship literature can be classified into two groups – the individualist and the environmentalist. The individualist perspective focuses mainly on individuals' personality traits and personal characteristics. Although a significant number of psychological studies on entrepreneurship have revealed that studies failed to find any personality traits that are strongly associated with entrepreneurs (Brockhaus & Pamela, 1986), studies in this field have continued. A major contribution that the psychological perspectives have made is their emphasis on the role that individuals play in the process of new venture creation. It is supported by other scholars who argue that none of the environmental factors, either micro or macro, alone can create a new venture without a person (Shaver & Scott, 1991). It is the person who makes new venture creation happen. Therefore it is essential to include the person at the centre of the studies.

While psychological perspectives mainly focus on the individual, other studies focus on different levels of environmental factors. Economic scholars mainly focus their studies on the macro environment such as economic structure, state policy and political factors. They argue that the macro environment is the key determinant of entrepreneurial opportunities that leads to the creation of new ventures. Organisational ecologists focus their studies on both the macro and micro environments that affect the growth and decline of organisation populations. The social/cultural perspectives, on the other hand, focus on the social and cultural factors that have influence on the individuals. They argue that it is values, beliefs, customs and norms that lead to the creation of new ventures.

Each of the perspectives makes a contribution because they draw our attention to various aspects of entrepreneurship by using different approaches. However, a common weakness is that they fail to appreciate the contribution of studies from different fields. Scholars from different fields tend to focus on predetermined aspects in their own field. As a result, they have limited their contribution in advancing our understanding of entrepreneurship. Another major drawback of these studies is that they have neglected the reciprocal influences between individuals and their environments. Granovetter (1985) criticised these studies as either 'oversocialised' or 'undersocialised', since they tend to regard individuals as atomised actors who respond to their environments mechanically. It is argued

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that individuals are embedded in their social relations. In other words, the individual and their social relations are inseparable. Therefore, to focus on the person, it is necessary to consider their embedded social context. Furthermore, social context is not just an external environment 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 micro and macro perspectives (Thornton, 1999). The institutional approach emphasises interconnection and interaction between factors from different levels including individuals and the political, economic, cultural and societal dimensions.

A major shortcoming that can be identified from the literature is the lack of linkage between individuals and their environments. There is a tendency for the literature to adopt an 'outside-looking-in' perspective on entrepreneurship. The environmentalist view assumes that in certain environments, individuals are expected to behave in certain ways. In other words, individuals are like atomised actors who respond to their environment mechanically and automatically. Environments, on the other hand, are concrete factors that exist 'out there'. Although institutional studies recognise the reciprocal, interactive relationship between individuals and their environment, there is a lack of explanation of how this is so. Therefore, it is necessary to develop a conceptual framework that recognises the contribution of entrepreneurship studies to advance our understanding of new venture creation. It is suggested that a social constructionist approach has the potential to achieve this project's aims and objectives. The theory of social constructionism, social embeddedness and sensemaking and enactment are then discussed in chapter 3 in order to develop a conceptual and theoretical framework for this project.

The main task of chapter 3 is to continue to develop a conceptual framework of new venture creation. Social constructionism is discussed in the first part of the chapter. It is argued that much richer insights can be gained by adopting a social constructionist view of entrepreneurship. The social constructivist framework, developed by Bouchikhi (1993), has drawn attention to processes rather than specific factors of entrepreneurship. Taking forward Bouchikhi's work, Chell

(2000) proposed a social constructionist framework of entrepreneurship that emphasises the importance of social context and social interaction in the process of entrepreneurship. This has highlighted the importance of social embeddedness in the process of entrepreneurship.

A discussion of the theory of social embeddedness and a review of social network literature with an emphasis on Chinese business follows in chapter 3. The theory of social embeddedness criticises the 'under and oversocialised' approaches and argues that economic actors are not atomised actors who respond to the environment mechanically. It is argued that economic actors are embedded in an ongoing system of social relations and that they do not behave outside a social context. What is emphasised therefore is the ongoing, reciprocal social interaction between individuals and their social relations.

A review of the relevant literature has helped to realise that institutional theories are complementary to the theory of social embeddedness. The institutional analysis looks at the interrelationship between different levels of institutional factors while social embeddedness emphasises the interaction between the individual and their social relations. However, an important weakness can be identified from the two theories. In spite of the major contribution that these theories have made, there is still a lack of linkage between the individual and their social context. Therefore, how individuals posses the 'social values', 'culture' and 'customs' that influence their behaviour are questions left unanswered. This is where the theory of sensemaking and enactment that proposed by Weick (1979, 1995) is particularly useful in bridging the gap.

Theories of sensemaking and enactment provide a framework that links individuals to their social contexts and also helps to explain how meanings are constructed by individuals. Building upon the theories of social constructionism, social embeddedness, institutional theories, sensemaking and enactment, a conceptual framework is then developed. It is noted that processes of sensemaking and enactment are interwoven and interrelated. In the process of sensemaking, different forms of enactment are involved. The 'product' of

sensemaking - the enacted environment, is therefore reciprocally influenced by the different forms of enactment.

Institutionalisation theory is also discussed in chapter 3. It is argued that the sensemaking model provides a potential link between sensemaking and institutionalisation. Institutionalised meanings and understandings shape the way individuals make sense of their environment and, at the same time, through social interaction, individuals' ongoing sensemaking, enactment and social interactions gives rise to shared meanings and repeated, collective action over time, thus leading to institutionalisation of meanings in the specific social group. The process of sensemaking, enactment, social interaction and institutionalisation are ongoing, reciprocal processes that are reinforcing each other continuously.

The conceptual framework that has been developed, therefore, provides a useful tool for understanding entrepreneurship within different social contexts. A review of the relevant literature has shown that notions of sensemaking and enactment are not directly addressed in the Chinese business literature, but they are implied to a certain extent. Therefore, it is believed that the developed conceptual framework can enhance our understanding of entrepreneurship under different Chinese subcultures. In order to understand what gives rise to collective action that forms a distinguishable pattern of new venture creation in the Chinese context, it is essential to investigate how individuals make sense and enact their environment to construct the meanings of new venture creation. Furthermore, it is essential to understand the institutionalised meanings of new venture creation and how they are institutionalised through ongoing social interaction.

A discussion of individualist, environmentalist and social constructionist approaches to entrepreneurship studies are presented in the last part of chapter 3. A social constructionist approach is proposed as the methodology of this thesis. It is believed that a social constructionist approach provides a bridge to both individualist and environmentalist approaches and is able to incorporate the contributions of the different approaches.

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Chapter 4 is divided into two parts. The first part is concerned with adding further depth to the methodological framework that has been outlined in chapter 3. A discussion of the social constructionist research process has helped to identify a drawback that many studies fail to develop a coherent methodological framework that supports their conceptual framework. An attempt, therefore, is made to discuss the ontological and epistemological assumptions of social constructionist research and their features.

The conceptual framework that has been developed in chapter 3 has highlighted the importance of enactment and social aspects in the research process. A further discussion of the two properties and their implications for the research project is then presented. The discussion then moves on to focus on other features of the social constructionist research process, including a discussion of level of analysis, unit of analysis and the researcher's role in the research process. What is emphasised in the discussion is the importance of putting the researcher at the centre of the research process rather than assuming that the researcher is separated from the research. This has also highlighted the importance of ethnography to this project.

A discussion of ethnographic research is then presented. A review of ethnographic research has shown that studies have different underlying ontological and epistemological assumptions. A significant number of studies tend to adopt a 'realist' view which sees meanings as concrete factors that are existing 'out there'. This thesis challenges this assumption and argues that meanings are socially constructed. Therefore, an ethnographic style of research, supported by a social constructionist viewpoint is adopted in this project. An 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 native to the research field is undertaken to try to account for the contribution of the adopted approach. Also, a discussion of cross-cultural studies is presented to account for the issues of language and translation, and how these issues then influence the fieldwork and analysis.

A discussion of discourse analysis completes the analytical framework for this thesis. It is argued that language is crucial for people to make sense of their world. By the same token, language provides a resource for the researcher to understand how people make sense of and enact their environment. 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). The task of the researcher, therefore, is to focus on the discourse in order to understand how individuals construct the meanings of entrepreneurship.

The second part of chapter 4 is concerned with recounting the issues of research fieldwork. Themes, including project evolution, gaining access and interviews, are discussed. This is then followed by a brief introduction of the two networks in Hong Kong and Shanghai. The informants in Hong Kong have formed a network which is then named the Ho Yuen Network, while the network that emerged in Shanghai is named the Chai Fen Network.

Chapter 4 develops further the methodology of this thesis and builds on the ontological and epistemological perspective constructed in chapter 2 and 3. The aim of this thesis is to conceive of new venture creation as a process of ongoing sensemaking, enactment and institutionalisation through social interaction. However, the usefulness of the adopted analytical and methodological framework for conceptualising new venture creation in this way can be critically assessed for its value in yielding insights and understandings from the fieldwork. Chapters 5 to 8 therefore, are concerned with presenting the fieldwork materials at different levels of analysis. In analysing the spoken words which express the way informants in the two different subcultures interpret and make sense of the different aspects of new venture creation, it is possible to yield insights and understandings of the pattern and characteristics of new venture creation in the Chinese context.

Chapter 5 and 6 begin by introducing two networks, Ho Yuen in Hong Kong and Chai Fen in Shanghai. Both networks are made up of the core companies, the business owners, their family members, customers, suppliers, friends and relatives. Based on the analytical framework that is developed in chapter 4, the

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structure of chapter 5 and chapter 6 are based on the main themes: motives and intentions, capital, risk, knowledge and skills, market opportunity, family and network. The main task of these two chapters is to present how informants from the two networks talk about these aspects. By analysing the discourses that are used by informants, the key issues from the accounts of the informants are then identified. Taking forward the first level analysis that is presented in the two chapters, the identified issues are then comparatively analysed in chapter 7.

The task of chapter 7 is to carry out a second level analysis on the key issues that were identified in the last two chapters. This is achieved by presenting accounts of how informants talked about these emergent issues and comparing them with the institutional context that the informants are embedded in. A major finding of the analysis is that individuals play an active role in aspects such as raising capital, learning skills, managing risk and finding market opportunities. From the analysis it can be argued that new venture creation is a consequence of individuals' sensemaking and enactment rather than the presence of certain environmental factors. However, this is not to argue that the environment is purely the individuals' creation and imagination. The analysis has helped to identify shared meanings between the two networks. It is argued that these shared meanings shape the way individuals make sense and enact their environment in constructing meanings of new venture creation. Also, it can be argued that these shared meanings and understanding are shared, shaped and institutionalised through the informants' ongoing social interaction. These institutionalised meanings then become the socially constructed 'reality' that constrain and shape the way informants make sense and enact their environment, thus leading to a shared environment in the different social networks.

The analysis that is presented in chapter 5 and chapter 6 has helped to identify a special way of making sense and enacting their environment in the two different Chinese subcultures. In chapter 7, the way in which informants make sense and enact their environment is presented and further analysed. By comparatively analysing the findings from the two Chinese networks, it can be inferred that entrepreneurship is related to positive meanings, such as higher monetary reward, better security, higher social status and 'bigger face'. Another major issue is that,

when talking about this, informants have repeatedly used '*of course*', '*definitely*', '*no doubt about it*', '*always the case*', '*everybody knows that*' to express their stated values and beliefs. Therefore, it can be argued that these shared meanings are institutionalised and, therefore, taken for granted by the informants.

Chapter 8 is concerned with analysing the issues that are identified in the second level analysis that is presented in chapter 7. The key themes that are covered include monetary reward, sense of insecurity, job security, family and businesses. By presenting how individuals talk about these issues and taking into account the institutional factors of the two Chinese communities, sub-themes continue to emerge. How individuals talk about these sub-themes is then comparatively analysed. From the analysis, it can be argued that social interaction plays a key role in shaping the shared meanings of entrepreneurship in the two Chinese networks. The issue of social interaction is then further discussed in the final section of chapter 8. Studies tend to see social interaction as a bridge between individuals and their environment through which the process of institutionalisation is formed. However, from the analysis, it is possible to argue that regarding social interaction as a bridge is undermining the role that it plays in the process of institutionalisation. It is argued that social interaction is not only the bridge between individuals and their institutional context, social interaction itself is also an institutionalised factor that helps to shape the way individuals make sense and enact their environment.

From the analysis different forms of social interaction are identified and examined in chapter 8. These include day-to-day communication, formal education, social gathering and mass media. From the analysis, it can be argued that the forms, frequency and contents of social interaction are themselves institutionalised. As a result of these institutionalised forms, frequency and content of social interactions, the issues of wealth, face, family, cultural value, traditional views are shared, reinforced and institutionalised in the two Chinese subcultures. These institutionalised meanings then shape the way informants make sense and enact their environment in constructing the meanings of entrepreneurship and, in some cases, in creating new ventures.

The task of chapter 9 is to evaluate the usefulness of the adopted conceptual and methodological framework for enhancing understanding of the process of entrepreneurship in different Chinese subcultures.

This thesis argues that the process of new venture creation is a consequence of different levels of sensemaking and enactments, which themselves are results of the institutionalised meanings of new venture creation and the institutionalised forms of social interactions. This then leads to repeated actions which form a recognised pattern of new venture creation in the two Chinese subcultures. The shared meanings and repeated actions thus lead to the institutionalisation of new venture creation in Chinese society.

From the analysis it can be argued that the process of new venture creation is comprised of a vast net of elements. Each of them can be seen as cause, effect and process in their own right. Also, each of them has a role to play in the process of new venture creation. There is no simple way of identifying the 'key elements' and ignoring the others as all the elements are interwoven and interrelated. From the analysis of this thesis, it is argued that a social constructionist view of new venture creation provides a distinctive conceptual and theoretical framework for understanding how and why new ventures are created in Chinese subcultures. In addition, a coherent conceptual and methodological framework, adopted in this thesis, has provided an important contribution to the understanding of the reciprocal interrelation between individuals and their institutional contexts. It is, therefore, argued that this thesis makes an important contribution to knowledge and advances understanding of new venture creation in general and in the Chinese context, more specifically.

CHAPTER 2

CHINESE BUSINESS, FAMILY BUSINESS AND ENTREPRENEURSHIP

2.1 Chinese economic success and Chinese business

The increasing adoption by Mainland China of market-economic principles and institutions not only contributes over one billion potential consumers to the global market, it also adds to the undoubtedly important economic role already played by ethnic Chinese in Southeast Asia and beyond. Of the four newly industrialised countries in Southeast Asia, Hong Kong, Taiwan and Singapore are populated largely by Chinese, who together possess larger foreign reserves than either Japan or the United States. Even in countries where overseas Chinese constitute a minority group, they still control a disproportionate share of economic activity and drive economic growth (Hodder, 1994; Haley, Tan, & Haley, 1998). The overseas Chinese drive the economies of the other fast growing countries of Southeast Asia – not only Hong Kong, Taiwan and Singapore, but also Malaysia, Thailand, Indonesia and the Philippines. One conservative estimate puts the 1990 GNP of Asia's 51m overseas Chinese at US$450 billion – a quarter bigger than China's GNP (Economist, 1992). Drucker (1994) argues that the 55 million overseas Chinese across the world have become the new economic superpower and are assessed by ASWJ (1996) as potentially the most powerful global network of entrepreneurs in the next decade. This has not included Mainland China, which is estimated to be the second most powerful country in the world in the next three decades (Lieberthal, 2003).

There are many and varied explanations of Chinese economic success (e.g. Hodder, 1994), attracting the interest of sociologists, political economists, psychologists, anthropologists and business scholars (e.g. Wang, 1990; Bulcke & Zhang, 1995). The literature on Chinese business which aims to explain Chinese economic success, focuses their studies on the role of the Chinese business network (Kao, 1991; Numazaki, 1991; Redding, 1991; Wong, 1991, 1995; Weidenbaum & Hughes, 1996; Lowe, 1998; Buttery & Wong, 1999); the importance of the Chinese family business (Tong, 1991; Tu, 1991; Bulcke & Zhang, 1995; Choi, 1995; Palanca, 1995) and the significance of leadership and

management style (Fan, 1995; Westwood, 1997; Gamble & Gibson, 1999; Lu, Rose, & Blodgett, 1999; Ralston *et al.*, 1999).

The Chinese business literature, mainly studies of overseas Chinese business, can be classified into different groups. A significant number of studies focus on the characteristics of Chinese business such as management, decision-making and leadership style, organisation structures and strategies (Chang, 1985; Waters, 1991; Lau & Snell, 1996; Shenkar *et al.*, 1998; Snell, 1999; Liu & Mackinnon, 2002). A major limitation of these studies is that they tend to be descriptive of the 'Chinese characteristics' but they fail to go further to explain the reasons behind it. In other words these characteristics such as paternalism management style, family dominated business and nepotism are 'natural born' with the Chinese business. Another group of studies goes one step further in explaining the reasons that give rise to the Chinese characteristics. According to these studies, the characteristics of the Chinese business are due to Chinese culture that give rise to unique 'Chineseness' (Fan, 1995; Lee & Chan, 1998; Gamble & Gibson, 1999; Lu, Rose, & Blodgett, 1999; Chung, 2001). However, these studies do not go further in explaining how Chinese culture influences Chinese business. Chinese culture, therefore, is like a 'black box' used to explain the 'Chineseness'. Some other studies, however, focus their studies on Chinese culture, the cultural value, its history and how it is formed (Wang, 1994; Jacobs, Gao, & Herbig, 1995; Westwood, 1997; Whitcomb, Erdener, & Li, 1998). According to these studies, Chinese culture and Chinese philosophy, mainly attributed to Confucianism, are the key factors that influence Chinese business and their management style, structure and thus competitive advantages. However, a major limitation of these studies is that they fail to explain how individuals posses this unique cultural value that affects their behaviour.

This review of Chinese business literature has showed that Chinese culture has been the dominant factor leading to the unique characteristics of Chinese business and their economic success. One limitation of these Chinese business studies is that they tend to consider the large number of Chinese businesses as a static phenomenon. According to these studies, Chinese businesses are presumed to exist 'out there' with shared values, beliefs, culture and distinguishable

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characteristics, therefore by focusing on their characteristics, one can then understand what, how and why these businesses are successful. However, it is argued that the pattern of ownership of Chinese business is very dynamic, it is characterised by a dynamic process of new firm entry and existing firm exit (Poutziouris, Wang, & Chan, 2002). This is supported by other studies which argue that the number of Chinese enterprises in Southeast Asia increased dramatically in the last century (Weidenbaum & Hughes, 1996). It is believed that the economic success of Chinese enterprises in the region is because of their increase in number, not growth in size (Orru, Biggart, & Hamilton, 1997). For example, in Taiwan between 1966 and 1986, the number of reported firms increased by 315 percent, and the average firm size expanded 15% (Hamilton, 1997). According to the official figure, the number of private enterprises has increased 407% between 1985 and 1999 in China (China Statistical Yearbook, 2000). The actual total number of private business is estimated to be much higher if account is given to other enterprises that registered under different categories due to tax concern (Poutziouris, Wang, & Chan, 2002). Studies of other Chinese communities have showed similar findings (Kao, 1991; Post, 1995; Orru, 1997; Poutziouris, Wang, & Chan, 2002). The increase in number has not included the number of firm exits. Therefore, it can be argued a much larger number of new ventures are created in the different Chinese communities. It is therefore inappropriate to study the picture of Chinese businesses as a static phenomenon while it is actually a dynamic process. In order to understand the reasons that give rise to the economic success of Chinese businesses, it is necessary to understand how and why new ventures are found in Chinese communities.

2.2 Chinese Entrepreneurship

It is interesting to find that relatively little work has been done on the topic of Chinese entrepreneurship, even though the Chinese have a reputation of high propensity to start new businesses (Busenitz & Lau, 1997). According to a survey by the Global Entrepreneurship Monitor (GEM), China's entrepreneurial index (indicator of level of entrepreneurial activities in each country) is 12.3%, compared with 10.5% in the US, 5.4% in the UK and 1.8% in Japan (Reynolds, 2003). In light of this, attempt is made in examining the literature on Chinese entrepreneurship in order to advance understanding of Chinese economic success.

In what follows, the literature on Chinese entrepreneurship will be discussed. Studies of Chinese entrepreneurship can be classified into different perspectives. These include the focus on pattern of business founding, Chinese culture and psychology, state policy, family business and networks.

2.2.1 Pattern of business founding

Studies of Chinese entrepreneurship have emphasised a strong centrifugal tendency of the 'Chinese business system' – characterised by a similar pattern of new venture creation. According to Tam (1990), the development of economies that are dominated by ethnic Chinese is characterised by fission, by 'outward radiation' of firms rather than by integration and indoctrination as found in Japanese and Korean business systems (Biggart, 1997; Orru, Hamilton, & Suzuki, 1997). Employees leave their employment to set up a new business, after a period of time, the employees of the new business then leave the new firm to run their own business, this process continues to repeat itself thus forming a recognisable 'outward radiation' pattern of new venture creation. Studies of Chinese business in other Chinese communities including Hong Kong (Lau & Snell, 1996; Lowe, 1998), Taiwan (Orru, 1997; Chung, 2001), Singapore (Wong, 1995; Lee & Tsang, 2001) and other South East Asian countries (Carino, 1995; Kunio, 1995; Ang & Hong, 2000), have reached similar conclusions. However, like other Chinese business literatures, these studies tend to attribute this phenomenon to 'Chinese value' or 'Chinese culture' but fail to go further in explaining it.

2.2.2. Chinese culture and psychology

Other studies of Chinese entrepreneurship can be found in different perspectives. Some studies emphasise the psychological aspects of Chinese entrepreneurship (Koh, 1996; Busenitz & Lau, 1997; Lee & Chan, 1998; Ang & Hong, 2000; Lee & Tsang, 2001). According to these studies, Chinese entrepreneurs tend to possess certain 'entrepreneurial spirit', mainly influenced by Chinese philosophy and Chinese culture. Studies from this perspective tend to connect the psychological traits to the specific Chinese institutional context or cultural roots, but fail to get into detail in supporting their arguments. Therefore how and why these 'Chinese values' are 'instilled' is left unanswered, this has limited their contribution in understanding entrepreneurship in a Chinese context.

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2.2.3 State policy

State policy is one of the major focuses in the Chinese business literatures. Studies argue that the form of business and pattern of business founding are a natural consequence of state policy. Amsden (1985), Gold (1988), Pang (1992), Wade (1990), and Aberbach, Dollar & Sokoloff (1994) have been the most significant of those to reach this conclusion. For example, Wade (1990) argues that Taiwan's development arises from the workings of free markets and the state effectively 'governs the market', thereby creating the condition for economic development. Also in the last two decades, there are many studies which argue that economic reform was the prime reason that lead to the economic growth in Mainland China (DeWoskin, 2003; Wang & Huang, 2003). However, these studies fail to explain the results of surveys such as the GEM (Global Entrepreneurship Monitor) which show that the nominally still-communist China has 12.3% while the newly capitalist Russia manages only 2.5% in the 'entrepreneurial index' - indicator of level of entrepreneurial activities in each country (Reynolds, 2003). Furthermore, these studies fail to explain what gives rise to the large number of small businesses in different Chinese communities. Also, it fails to expand why Chinese subcultures under very different state policies, for example, Hong Kong, Singapore, Taiwan, Thailand, Indonesia, and Mainland China have similar pattern of business founding.

2.2.4. Family and Chinese family business

Family and family businesses have been a key focus in the Chinese business literature (Wolf, 1968; Wong, 1985, 1986; Hwang, 1990; Heller, 1991; Poutziouris, Wang, & Chan, 2002). It is therefore important to examine this literature in order to enhance the understanding of Chinese businesses. A review of the Chinese business literature has helped to realise that overseas Chinese businesses in Southeast Asia countries such as Hong Kong, Taiwan, Singapore, Malaysia, Thailand, Philippines and Indonesia are the main focus of the Chinese business literature (eg. Lim, 1983; Biers, 1995; Bulcke & Zhang, 1995; Palanca, 1995). In addition, it is interesting to realise that family business is the central theme in this Chinese business literature. Studies argue that unlike the prevailing situation in the West, the family business is the basic economic unit and social

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unit of the typical overseas Chinese community (Wong, 1985; Weidenbaum, 1996), which is believed to be attributed to the Chinese philosophy – the Confucianism (Shiga, 1978). As a result, Chinese family business has inevitably become the focus of the Chinese business literature. The importance of family business is so fundamental that a significant number of studies do not make the effort to distinguish family business from Chinese business. In most of the studies they have implied that family business is Chinese business or use 'family business' and 'Chinese business' interchangeably (eg. Tam, 1990; Brown, 1995; Chung, 2001). Because of this, it is necessary to examine the family business literature and especially the Chinese family business literature in order to understand entrepreneurship in a Chinese context.

Studies of Chinese family businesses can be classified into two main categories. The majority of Chinese family business literature focuses on the characteristics of the businesses, mainly on their ownership structure and management style. Another group of literature focuses their studies on the impact of family on the business. According to the studies that focus on the business characteristics, the most common characteristics that are shared by these Chinese family businesses include: single family ownership, that is, the ownership and the power of management in the family business is controlled by one single family (Westhead, Howorth, & Cowling, 2002); paternalism management style accompanied by lack of formal system of regulation (Heller, 1991); small scale businesses - most family business in Chinese society are of rather small scale and the number of employees hired is very limited (Orru, 1997); nepotism –by the time Chinese family businesses grows to the extent that the business activities are beyond the owner's control, he/she will usually appoint family members or relatives to key posts of the organisation to help him/her to deal with the daily management (Wong, 1985). According to these studies, these characteristics of the Chinese family business are a consequence of the 'unique' Chinese culture. A major limitation of these studies is that they fail to explain how and why 'Chinese culture' influences the family businesses.

Another category of the Chinese family business literature has focused on the impact of family on the business. A substantial amount of studies have focused

on the impact of families on the entrepreneurs and their businesses. Family therefore is seen as a factor that affects the process of entrepreneurship. Studies argue that the family influences Chinese business in different aspects including, sources of finance, human resources, market opportunity and social support (Hamilton & Jai, 1990; Brown, 1995; Palanca, 1995; Haley, Tan, & Haley, 1998; Chung, 2001; Zapalska & Edwards, 2001). Wang Gungwu, an expert of overseas Chinese concludes: "(the entrepreneur) could not have started in business without some degree of family backing or without belonging to a family or an adopted family business network, such as the artificial brotherhoods operating as members under family disciplines"(Wang, 1990 p.193).

Some studies have taken one step further by exploring family values in Chinese culture and how this influences Chinese family businesses. In his influential article of Chinese family businesses, Wong (1985) has discussed the important role that the family plays in individual's life. According to Wong, it is the family and not the isolated individual that acts as the basic unit. Wong quotes one of his informant's accounts to illustrate the relationship between family and individual: "I felt that it was most important to have a family, - without a family, everything was meaningless" (Wong, 1995 p.142). Lau (1982), on the other hand, argues that the inseparable ties between individuals and their family have led to the Chinese's "tendency to place their familial interests above the interests of society and of other individuals and groups, and to structure their relationships with other individuals and groups in such a manner that the furtherance of their familial interests is the overriding concern."(p.72) Moreover, Lau (1982) pointed out that among the familial interests, material interests take priority over non-material interests. The argument about the strong ties between family and individuals is supported by many other Chinese business scholars, Palanca (1995), for example, argues that the Chinese devote their life to business because family business is considered to be another way of preserving the family line.

One major weakness of these studies is that they tend to regard family as a factor that exists 'out there' in the environment. This factor then affects an individual's decision-making and thus behaviour, an individual can only respond to it and act accordingly. According to these studies, the factor shaping the influence of family

on the entrepreneurs and thus the entrepreneurship process, is the unique 'Chinese culture' that gives rise to 'family values'. One major limitation is that these studies fail to explain how 'family values' come into being and how these then shape people's behaviour. Also, it is argued that individuals do not just respond to their environment, they interact with their environment (Weick, 1979). Therefore it is inappropriate to see family as a factor in the environment that influences individuals' decisions and behaviour.

This review of the Chinese entrepreneurship literature has helped to understand that new venture creation in a Chinese context is characterised by a distinguishable pattern of business founding, that is, the 'outward radiation' pattern (Tam, 1990; Orru, 1997). Family business, small scale business, paternalism and nepotism management style are the other major characteristics of these Chinese businesses and are believed to be influenced by family, network, state policy, personality traits etc. The ultimate explanation for these characteristics is the shared Chinese philosophy and Chinese culture. As a result, 'Chinese culture' has become a convenient label that is used to explain almost everything but has a limited contribution in enhancing the understanding of Chinese entrepreneurship. In light of this, it is necessary to develop a research framework that recognises the contribution of the different perspectives and to aid the understanding of entrepreneurship in a Chinese context.

Gordon Redding is a scholar who has made a major contribution to enhancing understanding of Chinese entrepreneurship. Redding (1990) points out that one major limitation of the Chinese business literature is that it tends to focus on one factor and ignore the interrelation of other factors. In light of this, he emphasises the reciprocal, interdependent nature of different factors and the importance of multivariant, multi-level analysis.

2.2.5. Multilevel Studies

In his landmark institutional study of Chinese business, Redding (1990) studied a group of Chinese entrepreneurs from Hong Kong, Taiwan, Singapore and Indonesia. According to Redding, the economic success of overseas Chinese is attributed to a common 'Chinese value' that possessed by them in different

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countries. However, this 'Chinese value' is not a written script for group members to follow, nor some sort of result that can be explained by a single cause. Instead, it is a consequence of reciprocal influences of several factors. Redding analyses several factors and their interrelationship that make up the 'Chinese value'. Firstly, the fundamental belief and values, mainly influenced by Confucianism and other major religions such as Taoism and Buddhism. Secondly, the social structures, that is, the characteristics of family, networks and ethnicity in Chinese society. Thirdly, the relationship rules such as filial piety, collectivism and face etc; and rules for action such as work ethic, money, frugality and pragmatism that govern people's behaviours. The study emphasises the interwoven and interactive nature of the different aspects on the cognitive process of individuals. Redding's analysis of Chinese capitalism has informed the main strength of the institutional perspectives which has the theoretical flexibility to link the micro and macro perspectives (Thornton, 1999). By using multilevel analysis, the study analyses the influence of the Chinese value to individuals, their relationships, organisation and the society at large that form the unique business system - 'Chinese capitalism'.

Redding's finding is echoed by other Chinese business studies. In order to explore the reasons that give rise to the economic success of overseas Chinese in the Southeast Asian countries. Hodder (1994) looks at complex multidimensional institutions including the market, reciprocity, the company and the association and how they relate and influence each other. He argues that analyses of the overseas Chinese and their relative economic success should be "informed by the notion of constantly changing and multidimensional institutions, values, actions and behaviour, conducted by and comprising individuals who also possess many different aspects" (p.15). Hodder emphases that the notion of material achievement and wealth values are of crucial importance to the understanding of overseas Chinese economic success. He argues that it is the desire of many Chinese to 'turn' institutions towards the extension, safeguard, legitimisation and institutionalisation of trade and its associated wealth values that give rise to their economic success.

In line with Hodder's study, Chan & Chiang (1994) tried to examine the success of entrepreneurs in Singapore using institutional analysis. In their study, they concluded that the entrepreneurs are of paramount importance to their economic success. However, unlike the psychological perspective which argues that personality characteristics are natural-born (eg. Welsh & White, 1981; Neck *et al.*, 1999), they argue that entrepreneurial spirit is 'trained'. The influence of family and social networks, together with the entrepreneurs past experiences, especially their childhood, are believed to be the key factors that 'create' the entrepreneurial spirit: hard work, commitment, perseverance, determination and realism. In addition, their social relations and social environment has provided the right environment for entrepreneurs to create their business successfully.

Using a comparative study from an institutional perspective, Hamilton (1997) studied the economic structure of Korea and Taiwan. In this study, he argues that although state policy plays a key role in the economic development of the region, it cannot solely explain the pattern of the society's economic organisations. He concludes that while South Korea grew through management, Taiwan grew through entrepreneurship. Hamilton emphasises the importance of Chinese culture and social networks that lead to the 'right' state policy. Contrary to the majority of studies which believed that state policy are made by faceless, indifferent politicians with predetermined interests, Hamilton argues that "politicians know their countries. When they act, they act upon known subjects of which they themselves are products and participants."(p.289). In other words, culture, values and state policy are reciprocal and interactive. State policies are not viewed as one-way influences to individuals and organisations as is argued in other studies (Gold, 1988; Aberbach, Dollar, & Sokoloff, 1994; Shen, 1994).

To summarise, a review of the Chinese business literature has helped to identify two major knowledge gaps. First, studies of Chinese businesses tend to attribute new venture creation to the influence of Chinese culture and Confucianism. This approach is criticised on the grounds of its over-emphasis on cultural aspects because it fails to recognise the role that individuals, their social relations and their interactions play in the process of new venture creation. The multilevel analysis, on the other hand, has recognised the interrelation and interaction of

individuals and factors at different levels (Lim, 1983; Kuo, 1991; Numazaki, 1991; Orru, 1997). However, one major limitation can still be identified by examining the underlying assumptions of these studies. There is a common assumption underlying these studies that all Chinese people from different regions share the same 'Chinese values' and so they tend to behave in the same way, wherever they were brought up. These studies either generalise the characteristics of all Chinese businesses by focusing their study on one specific region, or their studies focus on different Chinese communities and generalise their findings to one homogeneous group of Chinese businesses. Therefore, by focusing their study either on one region or different regions they are able to infer their findings to all Chinese businesses in different subcultures as one homogenous group of 'Chinese business' which share the same culture (Redding, 1990; Tam, 1990; Hodder, 1994; Wang, 1994; Kunio, 1995; Weidenbaum & Hughes, 1996).

Mackie (1995; 1996) is among those who strongly criticise the generalisation that all overseas Chinese share the same 'Chineseness'. He argues that it is a fallacy to "imagine there is some unique and essentially 'Chinese' ingredient to be found at the heart of them (overseas Chinese)"(p.6). He points out that all that unifies the overseas Chinese is race and argues that there is no common economic interests, or political aims, nor even a shared culture any longer. In another study, Mackie (1995) describes Chinese subcultures in Southeast Asia as 'distinctive communities with diverse economic and political interests, linguistic codes and capabilities, education systems and folkways'(p.34). Therefore studies of Chinese businesses must take into account different institutional contexts in different Chinese communities (Whitley, 1992). Because of this, it is suggested that a comparative study in different Chinese subcultures provides a promising avenue of research to understand how different institutional contexts affect the process of new venture creation. In addition, it is important to develop a research framework that has the potential to connect the contribution of the different Chinese business studies and to facilitate the understanding of new venture creation in different Chinese subcultures. To achieve this, it is necessary to examine the relevant entrepreneurship literature aiming to advance the understanding of new venture creation in a Chinese context.

2.3 The study of entrepreneurship: definition, approaches and antecedents

A review of the entrepreneurship literature highlights that there are differences in definitions, theory, and assumptions of what constitutes entrepreneurship. As Gartner (2001) points out, this is because entrepreneurship scholars hold very different beliefs about the nature of entrepreneurship and they have very different views of what entrepreneurship consists of (p.27). As a consequence, this has resulted in ambiguity in the field and a lack of distinctive domain.

Researchers interested in new venture creation have attempted to construct definitions of entrepreneurship (Shaver & Scott, 1991). However a concise, universally accepted definition for the term 'entrepreneurship' has not emerged (Churchhill & Lewis, 1986; Hisrich & Peters, 1989; Solymossy & Hisrich, 2000). In some studies the terms 'entrepreneurship', 'entrepreneurialism' and 'enterprise' are treated as though they were synonymous and are frequently used interchangeably (Bridge, O'Neill, & Cromie, 1998). The term entrepreneurship could be used to describe a person, a unit of business, an activity, a kind of behaviour, a set of personal characteristics or the process of business start-up. In the last few decades the term has been expanded and used to encompass nearly all stages in the life cycle of business (Bird, 1989). It has also been used to refer to a process of being in business and of business growth and development or even a 'practice' in large or small organisations (Ronstadt, 1984; Hisrich & Peters, 1989; Gibb, 1990; Bridge, O'Neill, & Cromie, 1998).

Because of the diverse domain, topics and research interests, it is not surprising that it is difficult to connect all of the disparate research interests together (Low & MacMillan, 1988). Not one discipline or conceptual scheme can provide an adequate understanding of all aspects of entrepreneurship (Reynolds, 1991). In light of this, Shane and Venkataraman (2000) have provided a representative statement: "entrepreneurship has become a broad label under which a hodgepodge of research is housed"(p.217). Despite the substantial amount of studies on defining entrepreneurship and studying different aspects of entrepreneurship, arguments on the definition, major domain and topic continue (Gibb, 1990; Bridge, O'Neill, & Cromie, 1998; Brazeal & Herbert, 1999).

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The increasing interest in entrepreneurship has led to a significant amount of debate in entrepreneurship studies from different disciplines. Researchers from one discipline have tended to ignore entrepreneurship studies by researchers in other disciplines (Bull & Willard, 1993). As a result, the advance in knowledge of entrepreneurship is relatively limited. This concern can best be represented by the following quote:

> "One interesting observation that emerged from this exercise (Interdisciplinary Conference on Entrepreneurship Theory) is that each discipline has its own unique way of viewing entrepreneurship which remains relatively unaffected by the perspectives of other disciplines. In other words, we see evidence that many "uni-" rather than one or more "multi-" disciplinary views of our field currently exist"(Herron, Sapienza, & Smith-Cook, 1991 p.7)

Gartner (2001) points out that an unwillingness to discuss the entrepreneurship field's unstated assumptions and to define the boundaries of the field has attributed to the problems encountered in the field. Therefore scholars in entrepreneurship will continue to be a collection of diaspora from other fields of organisation science that use "entrepreneurship" as a label to study whatever they want (p.35). As a consequence of this, attempts to review entrepreneurship theories are fruitless and unhelpful because they are diverse in purpose, focus, aims and objectives. In light of this, Gartner suggests that "only by making explicit what we believe, can we begin to understand how all these different parts make up a whole" (Gartner, 1990 p.28). By doing so, scholars from different disciplines can expect to appreciate and benefit from the contributions of other perspectives.

Low and MacMillan (1988) have reviewed entrepreneurship research according to six design specifications: the purpose of the research; the choice of theoretical perspective; the focus of the phenomena to be investigated; the level(s) of analysis; the time frame of analysis and the methodologies used. The six themes suggested have also been used in other studies as a framework of research and analysis (Shane & Venkataraman, 2000; Gartner, 2001). The framework is useful

in linking different aspects of research thus helping the researchers to appreciate the contribution of other studies.

Following Low and MacMillan's (1988) suggestion that studies should make their study focus implicit, earlier in this chapter the statistics showed that the economic success of the Chinese communities is due to their increase in enterprise number, not growth in size of business. For this reason, new venture creation is the main focus of this thesis. The purpose of this study is to investigate the process of new venture creation in different Chinese subcultures that attribute to the Chinese economic success. Therefore, Gartner's (1988; 1990) view of enterpreneurship as new venture creation is adopted here. Entrepreneurship is defined as the process of "starting a new business where there was none before" (Gartner, 1985). This is consistent with the Chinese translation of the term 'entrepreneurship'. In Chinese language, the term 'entrepreneurship' is made of two Chinese characters: *chuan* (創 create, initiate) *yi* (業 enterprise, business).

For variety, however, entrepreneurship, new venture creation, business start-up and business founding are the terms that will be used interchangeably in this thesis.

There are many explanations for the reasons and factors that give rise to new venture creation. Research on entrepreneurship has attempted to explain the creation of new businesses from different perspectives such as psychology (McClelland, 1961; Robinson *et al.*, 1991; Shaver & Scott, 1991; Herron & Sapienza, 1992; Katz, 1992; Boyd & Vozikis, 1994; Neck *et al.*, 1999), social/cultural and institutional perspectives (Weber, 1904; Greenfield & Strickon, 1981; Aldrich, 1990; Reynolds, 1991; Thornton, 1999), economics (Schumpeter, 1934; Campbell, 1992; Eisenhauer, 1995; Kirzner, 1997; Blaug, 2000); and organisational ecology (Janson, 1980; Carroll, 1984; Hannan & Freeman, 1987; Carroll, Delacroix, & Goodstein, 1988; Hannan & Freeman, 1989; Singh & Lumsden, 1990; Hannan & Carroll, 1992; Aldrich & Wiedenmayer, 1993; Terry & Rao, 1996).

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Reviews of the entrepreneurship literature tend to classify different approaches into categories. Thornton (1999), for example, distinguishes between supply and demand perspectives. According to Thornton, the supply-side perspective mainly focuses on the availability of suitable individuals to occupy entrepreneurial roles; the demand side, on the other hand, mainly focuses on the number and nature of the entrepreneurial roles that need to be filled. Aldrich (1993), on the other hand, used a "traits and rates" approach to categorise the entrepreneurship literature. Thus, "traits" focused on the personal attributes of founders, asking what makes them different from other people, while "rates" focused on the environmental conditions – social, cultural, economic and political factors. A review of the entrepreneurship literature has helped to realise that studies have a different focus and their level of analysis varies significantly. Basically they can be classified into two groups: the individualist and the environmentalist. The individualist studies focus their studies at an individual level, mainly on the business founders while the environmentalist studies focus on the environment of the business founders. In what follows, the literature in each group will be examined.

2.3.1 Individualist View of Entrepreneurship– Psychological Perspective

The individualist entrepreneurship researchers believe that the founder of the new venture is of paramount importance in new venture creation (Hornaday & Aboud, 1971; Brockhaus & Pamela, 1986; Herron & Sapienza, 1992; Boyd & Vozikis, 1994; Koh, 1996; Busenitz & Lau, 1997; Hansemark, 1998; Neck *et al.*, 1999). Unlike 'entrepreneurship', the term 'entrepreneur' has been used consistently to describe a person or a group of people, although focusing on different aspects of the people. The term could be used to define a person in terms of a set of personal attributes, personality characteristics, a particular societal role or set of tasks (Gibb, 1990). A review of relevant literature has shown that there are different assumptions underlying the term 'entrepreneur', the only shared meaning is that it is a person. In order to avoid any of these assumptions that may divert the focus of the study, the entrepreneur is defined as the founder of a new business, a person who started a new business where there was none before (Gartner, 1985).

The psychological perspective has been the mainstream approach in this area. The mainstream psychologists in entrepreneurship believe that 'special' types of individuals create entrepreneurship (Hisrich & Peters, 1989; Thornton, 1999), so the emphasis is on the individual person as the level of analysis. Psychologists have asked whether business founders have psychological traits and backgrounds that differentiate them from other populations such as managers. Within the psychological approach, a substantial number of studies focus on the 'personality' of the founder (Shaver & Scott, 1991). The main argument of these studies is that the people who start their own business possess certain personality characteristics in common with other entrepreneurs (Baumback & Mancuso, 1987). Characteristics such as need for achievement (Frey, 1984; Koh, 1996; Lee, 1997; Hansemark, 1998), internal locus of control (Rotter, 1971; Strickland, 1989; Koh, 1996) and risk-taking propensity (Wetzel, 1986; Das & Teng, 1997; Morris & Jones, 1999) have been the main focus of the psychological perspective. Other scholars, however, focused their studies on the cognitive process of entrepreneurs (Shaver & Scott, 1991; Katz, 1992; Forbes, 1999; Mitchell *et al.*, 2002). Furthermore, other studies have identified different personality characteristics that relate to successful new venture creation. These include gender, age, need to control, self-confidence, a sense of urgency, good health, comprehensive awareness, realism, superior conceptual ability, need for status, an objective approach to interpersonal relations, emotional stability and an attraction to challenge rather than risk (Welsh & White, 1981; Robinson *et al.*, 1991; Boyd & Vozikis, 1994; Minniti & Bygrave, 1999; Neck *et al.*, 1999).

This perspective of entrepreneurship is useful in the sense that it recognises the importance of individuals in the process of new venture creation. As Shaver & Scott (1991) argue, none of the other factors alone will create a new venture without a person. However, there are limitations to this perspective. One of the major drawbacks has been the validity of the research method. The majority of the psychological trait studies are based on the established model such as McClelland's (1961) need for achievement (n Ach) or Rotter's (1966) Internal-External (I-E) Locus of Control Scale to measure personality traits of individuals. By doing that, the assumption is that these models are universal, valid and unbiased and can be used to measure personality traits accurately. Of the few

Chinese business studies that focus on personality traits, they tend to use models that have been established in the West to study Chinese business founders. It is argued that both the researcher and the interviewees are embedded in their social context and are therefore likely to have different interpretations of the questions and answers. People who have obtained similar scores do not necessarily have the same 'locus of control' as suggested by the model. Likewise for risk taking propensity, most of the studies used the Choice Dilemmas Questionnaire (CDQ) to measure the risk taking propensity. It is argued that the questionnaire could be manipulated or biased by the researchers (Shaver & Scott, 1991). People who have the same level of risk taking propensity do not necessarily perceive the same level of risk in the same situation, especially when studying people from different cultures. The reliability of the model to predict future entrepreneurship is under question. Furthermore, these models tend to take simple answers like 'yes', 'no' or numbers, as a result, the deeper and richer picture of the research has been neglected.

The other drawback of a psychological perspective can be identified by looking at the assumptions underlying it. The psychological perspective assumes that certain personality traits are unique to entrepreneurs and are different from non-entrepreneurs. However, studies have shown that there is no significant difference in personality traits between entrepreneurs and non-entrepreneurs (Brockhaus & Nord, 1979; Hull, Bosley, & Udell, 1982) as studies have failed to show any traits strongly associated with entrepreneurs or entrepreneurship (Brockhaus & Pamela, 1986; Carsrud & Olm, 1986). These findings help to challenge the contribution of the studies which focus on personal characteristics or personality.

Another major limitation of the psychological perspective is that studies assume that personality traits are a static entity borne by entrepreneurs. Therefore, by looking at certain entrepreneurs and their personality traits, cognitive style or personal characteristics, one can explain why a new venture is created. Although it is generally believed that individuals play a key role in new venture creation, the assumption that psychological aspect alone account for new venture creation has been largely abandoned (Shaver & Scott, 1991). It is argued that studying the individual traits or characteristics of entrepreneurs fails to provide information on

the environmental context within which entrepreneurs interpret and make sense of their actions (Aldrich & Waldinger, 1990). Besides, people do not make decision(s) in a vacuum but rather consult and are subtly influenced by significant others in their environments: family, friends, co-workers, employers, causal acquaintances and so on (Aldrich & Zimmer, 1986 p.6). Furthermore, the interaction between them and their social context is a reciprocal and continuous process (Granovetter, 1985) rather than a static phenomenon as the psychological studies assume.

2.3.2 Environmentalist Perspectives

2.3.2.1 Social/Cultural Perspective

Frustrated with the personality traits perspective, researchers have attempted to explore other environmental factors that give rise to entrepreneurship (Campbell, 1992; Watson & Hogarth-Scott, 1998; Mazzarol *et al.*, 1999). Brockhaus & Horwitz (1986), for example, have summarised the factors that are related to entrepreneurship: previous work experience; job dissatisfaction; role model; personal characteristic – age, education, residency, race, gender. The weakness of these studies is that they lack a convincing link between these factors and individuals. Therefore it can be expected that the more studies that have been carried out, the more environmental factors will be included in the list. By combining every possibility, these studies make a limited contribution to our understanding of new venture creation.

A review of the entrepreneurship literature has shown that social and cultural factors have been the focus of many entrepreneurship studies (Aldrich & Zimmer, 1986; Reynolds, 1991; Shaver & Scott, 1991; Larson & Starr, 1993; Johannisson & Monsted, 1997). This approach is particularly important when examining the emergence of Chinese businesses. Studies of Chinese businesses tend to attribute new venture creation to the influence of Chinese culture and especially the *Chinese philosophy* - Confucianism (Bond & Hofstede, 1990; Shane, 1993). Ethnic Chinese are believed to possess beliefs, values and traditions that predispose them to succeed in business, regardless of where they find themselves (Chan & Chiang, 1994; Haley, Tan, & Haley, 1998). This is supported by earlier

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work by Hirschman (1982) who argued that an ethnic group's socioeconomic achievements are partly a function of the human capital of individuals and the sociocultural orientation – motives, ambitions – derived from group membership. In the other words, if one can describe the social group of an individual entrepreneur, one can then infer how and why new businesses are founded (Thornton, 1999).

The 'sociocultural perspective' is criticised for its presumption of the existence of a stereotypical standard that all members of the group display and presume that behaviours are evoked regardless of the group member's situation (Aldrich & Zimmer, 1986). These studies argue that there are shared values, beliefs and traditions in a social group. These shared meanings are then instilled into the members of the social group automatically, regardless of their individual situation. Granovetter's (1985) describes social influence as an

> "external force that, like the deists' God, set things in motion and has no further effects – a force that insinuates itself into the minds and bodies of individuals, altering their way of making decisions. Once we know in just what way an individual has been affected, ongoing social relations and structures are irrelevant."(p.486)

Granovetter argues that individuals do not act like atomised actors who follow the social norms and customs mechanically, he emphasised the importance of individuals' embeddedness in their social relations and their social interaction. Therefore if the social situation of individuals is fully analysed, their behaviour looks less like automatic application of "cultural" rules and more like a reasonable response to their present situation (p.506).

In other words, a major limitation of the social/cultural perspective is that they tend to focus on specific set of values, beliefs, traditions and other cultural factors in the social group. As a result, the situation of the individuals and the social context are ignored. The social and cultural factors are presumed to be static and exist 'out there' that will be instilled to members of the social groups. This is criticised by many studies which emphasise the importance of other factors in the

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micro and macro environmental in the process of entrepreneurship. In the following section, studies that focus on macro environment will be examined.

2.3.2.2. Macro Environment of Entrepreneurship

Studies that focus on the macro environment of entrepreneurship can be found in organisational ecological, economic and institutional studies. It is not difficult to realise that studies from these disciplines are substantially overlapped. The key assumption shared by these studies is that the macro environment affects resources and opportunities that give rise to new venture creation. Because of this, studies tend to focus on the macro environment, which is believed to influence resources (and therefore entrepreneurial opportunities).

2.3.2.2.1 Organisational Level – Organisational Ecology

The organisational ecologists focus on macro environmental factors rather than the individual level. It involves examining the contextual factors that cause variations in rates of founding (Aldrich & Wiedenmayer, 1993) and thus the level of entrepreneurial activities. Carroll (1984 p.72) summarised the work of organisational ecologists into three levels:

(a) the organisational level – involves the study of demographic events and life-cycle processes across individual organisations.

(b) the population level – concentrate on population growth and decline, as well as on interactions between multiple populations.

(c) the community level – defined as "the collection of all the populations that live together in some region" (Roughgarden, 1979).

At each level, studies focus on different areas of business founding. Organisational level studies mainly examine patterns in business founding over time and attempt to relate variation in these patterns to the characteristics of the organisational environment. Factors such as resource abundance, organisational density and political turbulence are considered to have a key impact on business founding (Marrett, 1980; Pennings, 1982; Delacroix & Carroll, 1983). In addition, it is argued that there may be intrinsic patterns of organisational birth that are driven by the population dynamics of industry evolution (Carroll, 1984).

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The population level, defined as population ecology (Carroll, 1984), concentrates on population growth and decline, as well as on interactions between multiple populations. This level can be categorised as intrapopulation and interpopulation respectively (Aldrich & Wiedenmayer, 1993). Intrapopulation ecologist focus on what is occurring within populations thus affecting the rate of founding. According to these studies, prior foundings (Hannan & Freeman, 1987; Staber, 1989), dissolutions (Delacroix & Carroll, 1983), density (Aldrich, Zimmer, & Staber, 1990) and factors associated with density attribute to the environment into which businesses are founded. These factors include: the entrepreneurial work setting, founder's previous experience, internal structure, social network, job changing and innovation. While for interpopulation processes, it is argued that the nature of relations between populations and action by dominant organisations affect the distribution of resources in the environment. This then influences the terms on which they are available to entrepreneurs, thus affecting the rate of foundings (Aldrich & Wiedenmayer, 1993).

Organisational ecologists distinguish between six forms of interaction between populations and argue that the impact one population has on another may be positive, negative, or inconsequential (Brittain & Wholey, 1988). Some interpopulation effects are negative, such as competition for workers, capital or members. Other effects are positive, such as organisations that create technological breakthroughs benefiting others or organisations that train workers who subsequently move to other organisations. Some populations can initiate the development of another population, for example, the mobile phone industry giving rise to the mobile accessory industry.

Community level studies focus on the interaction of populations within communities. Although there are different definitions and scope in different studies, the community level of studies can be seen as studies of the macro contextual factors and their relationship with the rate of founding (Aldrich & Wiedenmayer, 1993). Factors such as government policies, political events, cultural norms and so on are believed to affect the rate of business founding in the community (Carroll, 1984). In other words, the focus of studies has diverted from the organisational level to the macro environment of organisations.

To summarise, organisational ecologists have focused on outside forces or unconscious forces that are believed to affect the founding and thus founding rate of organisations. Reynolds (1991) suggests that population and organisational ecology is a productive paradigm in which to develop research on the societal context of entrepreneurship. In addition, the population ecology's formal theory and methods lends clarity to generating falsifiable hypotheses and to advancing understanding of organisational founding at the population level (Thornton, 1999).

A major drawback of organisational ecology studies is that they emphasised the social context of the individual and organisations but tend to ignore the actors. This, as Granovetter (1985) criticises, is because they see individuals as atomised actors who respond to their environment mechanically. As a result, other aspects such as an individual's personal situation, background, social relations and macro contextual factors are largely abandoned. Granovetter's argument draws attention to the importance of individuals, their social relations and the interaction among them. In other words, both the social context and the individual and their interaction must be taken into account in order to advance our understanding of entrepreneurship.

2.3.2.2.2 Economic perspectives

Apart from the organisational ecological studies, there are other studies that focus on the macro environments. An economic perspective, for example, is one of the major disciplines that focuses on the macro environment factors and opportunities. A review of entrepreneurship literatures has found relatively little literature from an economics perspective. Brock and Evans (1991) noted that "Economists have concentrated overwhelmingly on large business. The leading textbooks in economics have little or no discussion of small business or entrepreneurs."(p.10) The reason for this, according to Swedberg (2000), is that mainstream economics have had great difficulty in fitting entrepreneurship into its theory, and, as a result, has tended to ignore entrepreneurial process (p.11). Indeed, some researchers suggest that entrepreneurship is not a phenomenon that can be described or analysed within the existing neoclassical economic framework (Eisenhauer, 1995).

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Among those who have tried to develop an economic theory centred on entrepreneurs, Joseph Schumpeter is the main figure in the literature. Schumpeter (1934) defined entrepreneurs as a rare breed of innovators who create a new combination of resources on a grand scale. According to Gunderson (1990 p.43), in Schumpeter's world "innovation occurs in steps that are so large – breakthroughs, really – that they immediately dictate entire new industries and make existing ones obsolete." This is the essence of "creative destruction", Schumpeter's explanation for the existence of business cycles. However, despite Schumpeter's status as one of the foremost economists of the twentieth century, he never produced concrete guidelines for how the entrepreneur should behave (Swedberg, 2000).

In contrast to Schumpeter's heroic innovators, other economists see the entrepreneur as an opportunistic arbitrageur who is alert to potential profits and capitalises on them (Lowell, 1996). Entrepreneurs are described as "a group of outsiders who are themselves neither 'would-be sellers' nor 'would-be buyers', but who are able to perceive opportunities for entrepreneurial profits; that is, they are able to see where a good can be sold at a price higher than that for which it can be bought" (Kirzner, 1973).

Recent economic studies have criticised the previous studies for their omission of risk and uncertainty. This, they claim, reduces decision making to mere calculation (Kirzner, 1973 p.78). Begley and Boyd (1987) argued that the omission is inconsistent with empirical evidence, which suggests that founders of businesses are somewhat less averse to risk than non-founders. An economic model of entrepreneurship highlights how "the entrepreneur is alert to an opportunity that others have missed, and willing (at least for a price) to bear the risk of a new venture; the decision to venture will depend on expectation of income, working conditions, and initial wealth; the venture involves production of an innovative good or service, and will initiate resource shifting and market dynamics" (Eisenhauer, 1995 p.69). In other words, entrepreneurs are rational decision makers who calculate the total costs, risks and expected return of both

entrepreneurship and wage labour and decide to start a new venture because of the higher net present value on entrepreneurship.

The drawback of studies that focus on the macro environment factors can be identified by examining their underlying assumptions. For these studies, resource and opportunity is of paramount importance to entrepreneurship. They emphasise the importance of the macro environment, mainly the regulative processes – rule-setting, monitoring and sanctioning activities, which are believed to have a key influence on entrepreneurial opportunities. Researchers from these perspectives are taking the realist view that opportunities are exist 'out there' in the environment. These opportunities are waiting for the alert entrepreneur to discover and exploit them, and are not visible to those who are not alert and not known to all parties at all times (eg. Shane & Venkataraman, 2000; Demmert & Klein, 2003). In addition, risk is presumed to be universally measurable and will directly influence an individual's decisions. Individuals are rational, isolated, atomised decision makers that are free of influence from their social context and respond to opportunities mechanically to pursuit maximum profit.

One of the major criticisms of the economic perspective is the absence of the individual from the theories. An economic perspective emphasises what macro environmental factors can create entrepreneureship but provide little information to individuals of how new ventures can be created. As a result, it is difficult for individuals to fit themselves into the theories. According to these theories, the birth and death of firms are determined by their macro environmental factors such as government policies, political events, cultural norms, risk, profits, opportunity and so on. Shaver and Scott (1991) argue that although other factors are important, none of these alone will create a new venture without the action of a person. Therefore, it is necessary to bring the 'person' back to the entrepreneurship theory. By saying so, it does not mean that entrepreneurship should focus on the individuals only, as the psychological perspective has emphasised. What is emphasised here is that the individuals, social context and their interaction should be taken into account in order to understand the process of new venture creation.

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An assumption underlying these macro environmental studies is that the environment influences individuals but individuals have no influence on their environment. Irrespective of an individual's perceptions and interpretation of their environment, the characteristics of an environment will have a key impact on individual's choice but not vice versa. In other words, the environment exists 'out there', separate from the individuals. This assumption is challenged by studies that argue that environments are enacted (Weick, 1969; Pfeffer & Salancik, 1978; Weick, 1979). For example, Weick argues that the relationship between the enacted environment and its creators is one of mutual influence, that individuals do not react to an environment, they enact it (1969 p.64). Furthermore, it is argued that opportunities are not discovered but enacted. Studies have argued that opportunities are an outcome of the sensemaking activities of individuals (Thomas, Clark, & Gioia, 1993; Hill & Levenhagen, 1995). Furthermore, Chell (2000) emphasises the importance of entrepreneurial personality in shaping the way individuals make sense and enact entrepreneurial opportunities. She argues that 'entrepreneurial personality' is not a static quality that is possessed by individuals. Instead it is shaped and re-shaped through continuous social interaction. In short, entrepreneurial personality and opportunity are socially constructed. Taking this forward, it is necessary to develop an alternative theoretical framework in understanding the process of new venture creation rather than focusing on specific factors.

In summary, in reviewing the entrepreneurship literature a common weaknesses can be identified. Studies tend to focus on certain predetermined factors and fail to recognise the contribution of other approaches. For example, psychological studies focus on personality traits and sociocultural studies on social value and cultural traits, etc. As a result, individuals, economic structure, state policy, opportunity structure, social value and socio-cultural factors have become key topics of interest in different studies. There is a temptation then for studies to focus on one single variable -- one privileged actor to explain entrepreneurship (Orru, 1997). However, whilst one cannot conclude that any of the above factors are unimportant, it is also believed that there is no single factor or perspective that can adequately explain entrepreneurship. From this review, the importance of a research framework which recognises this is highlighted. This is where the

institutional theory has a substantial contribution to make in this area. Redding (1990) criticised the cause-and-effect assumption of major studies and argues that "in no case has a single cause won universal acceptance'. In addition, he argues that the word 'cause' raises more fundamental problems:

> "Social science is not physics, and even so, physics is not what it was in the simple days of cause-and-effect. What the layman thinks of as cause-and-effect must give way to a whole complex of chains of factors, each one, if it is separated out for analysis, being determined by others, and being influenced in return by its result... It is necessary then to abandon any notion of 'mechanical' cause, that one thing results from another in a simple linear way like one billiard ball pushing another. Instead we are faced with a vast net of connected elements, none of which is especially dominant, and all of which have somehow to be acknowledged, even though they may be only seen with peripheral vision"(p.6-7)

Redding emphasises the reciprocal, interactive nature of different factors and the importance of multivariant, multi-level analysis.

Institutional theory, therefore, has the potential to advance our understanding of entrepreneurship. To understand institutional theories, the notion of institutionalisation must first be introduced.

2.4 Institutionalisation

The central question addressed in the institutional literature is: "What is the nature and origin of social order?" The argument is that "social order is based fundamentally on a shared social reality which, in turn, is a human construction, being created in social interaction" (Berger & Luckmann, 1967 p.52). As a result, social order comes into being as individuals take action, interpret that action, and share with others their interpretations (Scott, 1987). Institutionalisation is defined by Scott as:"the processes by which action becomes repeated over time and are assigned similar meanings by self and others" (Scott, 1987 p.54).

Other scholars emphasise the 'take-for-granted' aspects of institutionalisation (Meyer & Rowan, 1977; Zucker, 1977). For example, Zucker (1977) argues that institutionalised acts "must be perceived as both objective and exterior" because of the taken-for-granted meaning of an act (p.496). Meyer and Rowan (1977) echo Zucker's argument, and argue that "institutionalisation involves the processes by which social processes, obligations, or actualities come to take on a rulelike status in social thought and action." Scott (1987) concludes that "the common feature in all of these definitions is that institutionalisation is viewed as the social process by which individuals come to accept a shared definition of social reality – a conception whose validity is seen as independent of the actor's own views or actions but is taken for granted as defining the "way things are" and/or the "way things are to be done"(p.496).

Studies of institutionalisation began to develop an alternative conception. From a primary focus on institutionalisation as a distinctive process – whether stressing infusion with value or with taken-for-granted meaning – institutionalisation began to be viewed as pertaining to a distinctive set of elements (Scott, 1987). In other words, these studies shift their focus from institutionalisation to institutional factors. It is therefore necessary to examine the institutional theories.

2.4.1. The Institutional perspective

Scott has classified institutions into three 'pillars' in his review of institutional theories. Institutions are defined by Scott (1995)

> "(Institutions) consist of cognitive, normative, and regulative structures and activities that provide stability and meaning to social behaviour. Institutions are transported by various carriers – cultures, structures, and routines – and they operate at multiple levels of jurisdiction."(p.33)

There are various schools of institutional theory, with varying emphasis on institutional elements, carriers of institutional elements and levels of institutional elements. Scott (1995) summarised the three pillars of institutions:

Table 2.1 Three Pillars of Institutional Theory

	Regulative	Normative	Cognitive
Emphasis			
Basic of compliance	Expedience	Social obligation	Taken for granted
Mechanisms	Coercive	Normative	Mimetic
Logic	Instrumentality	Appropriateness	Orthodoxy
Indicators	Rules, laws, sanctions	Certification, accreditation	Prevalence, isomorphism
Basis of legitimacy	Legally sanctioned	Morally governed	Culturally supported, conceptually correct
Carrier			
Cultures	Rules, laws	Values, expectations	Categories, typifications
Social structures	Governance systems, power systems	Regimes, authority systems	Structural isomorphism, identities
Routines	Protocols, standard procedures	Conformity, performance of duty	Performance programs, scripts

Source: Scott, W. R. (1995). *Institutions and Organisations*. London: SAGE p.35 & p.52

2.4.1.1. Regulative pillar

In the broadest sense, all scholars emphasise the regulative aspects of institutions, that is, the institution constrains and regularise behaviours (Scott, 1995). Scholars supporting this pillar emphasise the importance of regulative processes – rule-setting, monitoring and sanctioning activities (eg. Barnett & Carroll, 1993). By looking at the focus of these studies, one may assume that institutional theories are overlapped with economic and organisational ecological studies. Although the focus of institutional studies are similar to studies that focus on macro environment factors, institutional studies differ from other studies because they emphasis the reciprocal nature between individuals/organisational and their environment (North, 1990). In other words, actors do not just respond to their environment, they have a role to play in shaping their environment.

Theorists focusing on the regulative pillar are more likely to embrace a social realist ontology and a rational, logic choice of action (Scott, 1995). A regulative view presumes that "actors are real, natural persons having innate capacities to act so as to secure and protect their interests. These interests are presumed to be inborn; they are taken as given. Actors are primarily responding to incentives and constraints operating in their environments. The environment too is regarded as real; it is out there as a part of the natural world"(p.50). This assumption is challenged by theorists who argue that behaviour is socially constructed and

"society is an objective reality, man is a social product"(Berger & Luckmann, 1967) and the environment is created and enacted by individuals (Weick, 1979).

The regulative aspects of institutions highlight the importance of political and economic dimensions in terms of governing and constraining behaviour. For example, it helps to explain why there were very few private enterprises in China before its economic reform in the 1980s. This was because it was simply not allowed by the Government at that time. However, it cannot solely explain why there is different rates of business founding in different free economies, nor can it explain the different rate of founding in different ethnic groups in the same economy. In particular, it cannot explain the distinguishable pattern of new venture creation in different Chinese communities that are under very different political and economic environments.

2.4.1.2. Normative pillar

The normative pillar emphasises normative rules that introduce a prescriptive, evaluative and obligatory dimension into social life (Scott, 1995). Normative systems include both values and norms. The central theme of normative views is the concept of roles; the conceptions of appropriate action for particular individuals or specified social positions, that is, what the actors are supposed to do (Scott, 1995 p.38). In other words, actors conform to norms and values not because it serves their narrowly defined individual interests, but because it is expected of them; they are obliged to do so (Scott, 1995 p.39).

A major weakness of the normative view of institutional theory can be identified by examining its underlying assumption. The normative view assumes that individual behaviour is guided by determined norms and values, therefore by focusing on the norms and values, the behaviour of individuals can largely be explained. The emphasis of the normative pillar, therefore, focuses on cultural and societal factors. However the idea that society influences individual behaviour is rather mechanical. The atomisation of actors' behaviours are criticised by Granovetter (1985) who argues that actors do not conform to their social norms and values mechanically. Therefore it is necessary to take into account the individual and their social context and how they interact. In other

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words, values, meanings and norms do not exist 'out there' or exist as written rules that can be acquired by individuals. They exist through ongoing social interactions which share, shape and reshape values, beliefs, customs and norms.

2.4.1.3. *Cognitive Pillar*

A third set of institutionalists stress the centrality of the cognitive elements of institutions. That is, the rules that constitute the nature of reality and the frames through which meanings are made (Scott, 1995). They focus on the cognitive dimension of human existence: "Mediating between the external world of stimuli and the response of the individual organism is a collection of internalised symbolic representations of the world. In the cognitive paradigm, what a creature does is, in large part, a function of the creature's internal representation of its environment" (D'Andrade, 1984 p.98)

The cognitive framework emphasises the "take for granted" aspect of institutions. "It stresses the importance of social identities: our conceptions of who we are and what ways of action make sense for us in a given situation"(Scott, 1995 p.44). While scholars emphasise the extent to which the wider belief systems and cultural frames are imposed on or adopted by individual actors and organisations (Meyer & Rowan, 1977; DiMaggio & Powell, 1983), social psychologists are more likely to emphasise the interactive and negotiated nature of choice (Scott, 1995). It is argued that constitutive rules need not simply be externally imposed on actors. "These newer versions of role and identity theory emphasise that individuals play an active part, using existing rules and social resources to construct a social identity with some consistency across varying situations" (Burke & Reitzes, 1981). In other words, cognitive conception of institutions stresses the central role played by the socially mediated construction of a common framework of meaning (Scott, 1995).

One major drawback of the cognitive view is that individuals are assumed to be isolated from their social relations. Like the cognitive perspective of entrepreneurship, which emphasis the cognitive process of entrepreneurs, this cognitive view of studies assume that individuals 'grow up' under certain conditions. In other words, they have acquired values and beliefs from their

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environment and past experiences. This then shapes the 'person' with certain characteristics or personality. These characteristics or personality then form static qualities that are attached to the person and thus influence his/her perception and interpretation of the world. Gergen (1999) points out that individuals are not isolated souls but relational selves that are negotiating meanings through social interaction, thus challenging the 'static quality' of individuals.

A major contribution of the institutional theories is their focus on multilevel, multivariant analysis that has the potential of connecting perspectives on entrepreneurship from different disciplines thus advancing understandings of the entrepreneurship process as a whole. In addition, the different dimensions of institutional theories, that is, the political, economic, cultural and societal elements provide a useful analytical framework in facilitating the study of entrepreneurship in different Chinese subcultures.

The arguments of institutionalist theorists are particularly helpful to this study because the review of the Chinese entrepreneurship literature and an initial analysis of the data gathered from the field have indicated that the pattern of Chinese new venture creation fits well in the framework of institutionalisation. There are various reasons to support this assertion. First, studies of new venture creations are repeated over time thus forming a pattern in Chinese communities (Tam, 1990; Orru, Biggart, & Hamilton, 1997). Second, initial interviews with the informants have shown that the concept of 'new venture creation' has similar meaning between the subjects that were interviewed. Third, when asked why this is so, they all expressed that *'that's the way things are'* and failed to give any further explanations, thus highlighting the 'taken for granted' feature of institutionalisation. From this early analysis it can be inferred that the notion of entrepreneurship is institutionalised; it has formed a shared meaning among the social group and members of the same social group have taken it for granted without questioning how it is formed. The task of this project, therefore, is to identify and investigate the institutionalised meanings of entrepreneurship in different Chinese subcultures and how and why these meanings are shaped and institutionalised.

While the institutional framework provides a multi-level framework for understanding entrepreneurship, a criticism of these studies is their failure to generate methodological frameworks that are coherent with their ontological and epistemological assumptions. For example, these institutional studies tend to lose sight of what early institutionalists argue "The individual is always the cause as well as effect of the institutions."(Scott, 1987 p.497) These institutional studies, both regulative and normative tend to focus their studies on the influence of institutions to individuals, whether they are religion, state, or education. Individuals, therefore, can only respond to their institutions mechanically. These studies adopt a realist view of social reality and assume that institutional factors are real and 'out there' in the environment to influence individuals and organisations. As a consequence, they tend to put less emphasis (or ignore) on the interaction between social relations and individuals. In this thesis, it is argued that individuals and their environment are mutually-influenced. Individuals create and enact their environments (Weick, 1995). Therefore it is necessary to develop a coherent conceptual and methodological framework to take account of this.

2.5 Conclusion

This chapter has examined some initial questions concerning the economic success of Chinese businesses, especially in the Southeast Asian countries. A review of the Chinese entrepreneurship literature has helped to clarify that new venture creation in a Chinese context is characterised by a distinguishable pattern of business founding, that is, the 'outward radiation' pattern. Family business, small scale business, paternalism and nepotism management styles are the other major characteristics of these Chinese businesses. Furthermore, these characteristics are believed to be influenced by family, network, state policy, personality traits etc. The ultimate explanation for these characteristics is because of the shared Chinese philosophy and Chinese culture. As a result, 'Chinese culture' has become a convenient label that is used to explain everything but has limited potential for enhancing understanding of Chinese entrepreneurship. In light of this, it is necessary to develop a conceptual framework to recognise the contribution of the different perspectives and to aid the understanding of entrepreneurship in a Chinese context.

A review of the entrepreneurship literature helped to classify these studies into three groups – the individualist, environmentalist and institutionalist. The individualist approach focuses mainly on the individual variables such as personality traits and personal characteristics. The role of the entrepreneurs is of paramount importance to the creation of new ventures while other people or environmental factors are less relevant. The social relations of entrepreneurs are sometimes a factor that influences the entrepreneurs. However, the focus of the study is still on the individual. Individual personality traits and personal characteristics are factors that are to be measured and analysed. The main reason for entrepreneurship is that certain individuals, either naturally born or socially influenced, happened to possess the right personality traits or characteristics to create their own business. As a result, the cultural characteristics and social relations are less relevant to entrepreneurship. Because the entrepreneurs are either naturally born or being instilled with certain social values and beliefs, talk, monologue and negotiation style are irrelevant to the process. As the focus of the individualist studies is on the individuals, social or organisational order is irrelevant to the process because individuals are a 'closed system' to be focused and studied. The purpose of entrepreneurship, according to these studies, is to seek personal satisfaction or material objectives as a result of the entrepreneurs' personality or personal characteristics.

The environmentalist approach, on the other hand, mainly focuses on the environment of the entrepreneurs. The environmental factors such as capital, family, network, state policies, economic structure and opportunities are important to the creation of a new venture while entrepreneurs' role has become insignificant. However, different perspectives have focused on different factors. Some tend to focus on the microenvironment while others mainly focus on macroenvironments. The main reason of entrepreneurship, according to these studies, is that the environment creates new venture. Individuals under certain circumstances, are like atomised actors who respond to their environment mechanically. Talk, monologue and negotiation style, therefore, is less relevant to the process. The social and organisational order are static and well organised thus creating an environment suitable for the creation of a new venture.

These perspectives have a common weakness. They have neglected the reciprocal influences between individuals and their environments. It is therefore necessary to develop a conceptual framework to recognise the contribution of different factors and their interrelation. This is where the institutionalist approach is of particular interest because its theoretical flexibility provides the ability to link the micro and macro perspectives (Thornton, 1999). An institutional approach emphasises interconnection and interaction between factors from different levels including individuals and the political, economic, cultural and societal dimensions. Table 2.2 summarises the different entrepreneurship perspectives in terms of their epistemological assumptions and features:

Table 2.2   Individualist, Environmentalist and Institutionalist View of Entrepreneurship

Epistemological Assumptions / Features	Individualist	Environmentalist	Institutionalist
Perspective	• Psychological • Individual characteristics	• Social/cultural • Economic • Organisational Ecology	• Regulative • Normative • Cognitive
Focus	• Personality trait • Personal characteristics	• Social group • Social/cultural value • State policy • Economic structure • Opportunity • Resource • Network	• Political • Economic • Cultural • Societal
Role of entrepreneurs	• Very important	• Not important	• Not important for regulative and normative pillars • Important for cognitive pillar
Role of non-entrepreneurs	• Irrelevant	• Irrelevant	• Irrelevant
Relationships between entrepreneurs and social relations	• Subject – Object or • Object – Subject • One way influenced	• Subject – Object or • Object – Subject • One way influenced	• The factors/elements are interrelated, mutually influenced
Talk/Monologue	• Irrelevant	• Irrelevant	• Irrelevant
Cultural characteristics	• Irrelevant	• Either play a determine role or irrelevant	• Different level of importance for different pillars
Reasons of entrepreneurship	• Natural born characteristic	• Culturally influenced • Opportunity/resource availability	• Regulative, cultural or cognitive influenced
Social/org. order	• Irrelevant	• Static, well organised	• Self organisation • Inter-dependence

A major shortcoming that can be identified from the literature is the lack of linkage between individuals and their environments. There is a tendency for the literature to adopt an 'outside-looking-in' perspective of entrepreneurship. Although institutional studies recognise the reciprocal, interactive relationship between individuals and their environment, there is a lack of explanation of how this is so. As argued earlier, none of the other factors alone, whether macro or micro environment, will create a new venture without a person. Therefore it is suggested that an 'inside-looking-out' perspective has the potential in advancing understanding of entrepreneurship. It is aiming to understand how individuals make sense of their environment, from their point of view. For this investigation, there is a need to develop a research framework to integrate the contribution of the different approaches of entrepreneurship. Here ideas drawn from social constructionism, social embeddedness, sensemaking and enactment have a significant contribution to make.

These ideas are now elaborated in the next chapter. Also the notions of the family and networks will be discussed in depth in order to build the conceptual and methodological framework of this thesis.

CHAPTER 3

CONCEPTUALISING AND THEORISING ENTREPRENEURSHIP

As discussed in chapter 2, studies of entrepreneurship tend to focus either on the individual or their environment but do not take into account the interaction between individuals and their social context. Studies adopting an institutional perspective have drawn attention to the reciprocal interaction between political, economic, cultural and societal issues. However, it is rare to find coherence between conceptualisations in these studies that are consistent with the ontological and epistemological they claim to reflect. In light of this, it is necessary to develop a conceptual and methodological framework that is coherent with the ontological and epistemological assumption of the institutional theories. This is where the notion of social constructionism can make a significant contribution to conceptualising entrepreneurship.

3.1 Social Constructionism

The term "social constructionism" was introduced by Berger and Luckmann (1967) and their work is typically presented as the originator of social constructionism. The central themes of social constructionism are the nature of reality, knowledge, language and social order. According to Berger and Luckmann, social order is based fundamentally on a shared social reality which, in turn, is a human construction being created in social interaction. It is recognised that people as biological organisms confront few limits or constraints in the form of instinctual patterns, yet constraints develop in the form of a social order. Berger and Luckmann argued that this order "is an ongoing human production. It is produced by man in the course of his ongoing externalisation...social order exists only as a product of human activity" (p.52). Over the decades social constructionism has become a central theme in social sciences. Studies from different disciplines refer to their studies on social constructionism to varying extents. Although there has been a significant amount of work on developing social constructionist ideas, their contribution has been relatively limited when compared to the large number of works that have been done in different disciplines (Abolafia & Kilduff, 1988; Bird, 1992; Mumby-Croft & Hackley, 1997). Many scholars have used the term 'social constructionism' but their stance

of argument differs significantly, if not contradicting the core idea. In the field of entrepreneurship, there are very few studies related to social constructionism.

One study is Bouchikhi's (1993) investigation of entrepreneurship performance using a constructivist framework. In this article, Bouchikhi criticises other studies which tend to focus on either the entrepreneur or their environment and do not make the effort to study the interaction between them. Bouchikhi's constructivist framework is heavily indebted to Giddens' (1984) structuration theory. Giddens argues that action and structures are complementary dimensions of the structuration of social systems. He argued for the concept of "structure, in its broadest sense, to be understood as rules and resources, recursively drawn upon and reconstituted in processes of interaction" (p.253). According to the structuration theory, "the duality of structure means that it is not possible to talk of action without at the same time referring to structure and vice versa. Structural properties of any social system are conceptualised both as facilitating and constraining. They provide only the context within which action unfolds. In turn, structure emerges and is maintained through action. Unintended consequences of action play a major role in the structuration of social systems". (Bouchikhi, 1993 p.557) Taking forward Giddens' structuration theory, Bouchikhi argues that it provides an alternative representation of the entrepreneurial process. Bouchikhi argues that the outcome of the entrepreneurial process is determined neither by the entrepreneur nor by the context, but emerges in the process of their interaction. Furthermore, Bouchikhi argues that there are still other factors to be integrated in his framework, such as chance and prior outcomes of the entrepreneurial process. To summarise, Bouchikhi's constructivist framework argues that the outcome of the entrepreneurial process is emergent from a complex interaction between the entrepreneur, the environment, chance events and prior performance.

The major contribution of Bouchikhi's constructivist framework is that rather than focusing on the entrepreneurs or their social environment alone, as many other scholars have done, the constructivist framework has included individuals and their social context as well as their interaction. The application of constructivist ideas has highlighted the way forward for a process view of entrepreneurship. Bouchikhi argues that a process view of entrepreneurship has the potential to

recognise the contribution of studies from other disciplines as well as advancing entrepreneurship as a whole. However, there are still some shortcomings in Bouchiki's conceptual framework. Bouchikhi has tried to integrate factors that are believed to influence the process of entrepreneurship and tried to establish a comprehensive theory. In his studies, he has looked at six large organisations using the framework he created. All the factors such as personality trait, social environment, family backgrounds of entrepreneurs, chance, opportunity etc are all considered important factors of success and it is concluded that all the factors may or may not influence the process of entrepreneurship. Although he has included the individual, their social context and their interactions in his framework, he fails to illustrate the relationship between individuals and their social environment. Bouchikhi uses the name of social construction in the conceptual framework, however the notion of social construction is left implicit in the research framework. A key assumption presented in the analysis is that environmental factors exist 'out there' determining individuals' behaviour, which is more akin to a realist stance. Therefore, the major limitation is that it fails to illustrate how individuals interact with their environment.

Another study of social construction of entrepreneurship has taken forward Bouchikhi's constructivist framework. Elizabeth Chell (2000) has proposed a social constructionist theoretical framework of entrepreneurship. She criticises the personality trait approach which emphasises the role played by a single individual and ignores the importance role of other players in the business context. She argues that entrepreneurship is a process in which the owner-manager's actions (decisions, choices, etc) are contextually embedded. The process is one of interaction from which outcomes emerge, therefore the focus of the study should be on the social construction of entrepreneurship, rather than focusing on the endogenous or exogenous forces as suggested by other entrepreneurship studies.

Chell's work helps considerably in conceptualising entrepreneurship from a social constructionist view. Her arguments provide strong support against studies from the psychological, economic, social/cultural and organisation ecological perspectives. Chell argues that entrepreneurial personality, entrepreneurship and opportunities are all socially constructed, it is through ongoing social interaction

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that the entrepreneurial personality is shaped, opportunities are constructed, realised and thus give rise to entrepreneurship. Chell's conceptual framework provides a strong foundation in understanding entrepreneurship. Taking forward Chell's framework, this thesis aims to develop an analytical and methodological framework that enables investigation of individuals in their social context in order to understand how they interact and thus create their reality of entrepreneurship. To facilitate this, the theory of social embeddedness is explored. Theories of social embeddedness are seen here as shaping social constructionist ideas and potentially can advance understanding of entrepreneurial processes in a Chinese context.

3.2 Social embeddedness

The term "embeddedness" was introduced by Polanyi (1944). His work is typically presented as the originator of the embeddedness concept (Granovetter, 1985; Zukin & DiMaggio, 1990; Portes & Sensenbrenner, 1993; Barber, 1995). Polanyi's concept of embeddedness has been taken forward by Granovetter (1985) in his classic essay "The problem of embeddedness". He defines embeddedness as the on-going contextualisation of economic activity in social relations. Granovetter criticised studies for either under or over emphasising social and cultural factors. He argues that economic actors are embedded in an ongoing system of social relations and that they do not behave outside a social context.

The concept of 'embeddedness' has been widely debated since Granovetter's (1985) statement. Definitions of embeddedness took shape in opposition to the stylised conceptions of markets featured in neoclassical economics in which market transactions are, by definition, strictly rational, faceless, and independent (Dacin, Ventresca, & Beal, 1999 p.319). Granovetter's (1985) embeddedness theory has been taken forward in many subsequent studies. Zukin and DiMaggio (1990) widen the concept of embeddedness by proposing that embeddedness refers to the contingent nature of economic activity on cognition, culture, social structures and political institutions. According to Zukin & DiMaggio, the four institutions of embeddedness work at the interface of the traditional concerns of political economy and those of social-organisational analytic imageries (p.23). As a result, it keeps attention focused on the macroeconomic, cultural and societal

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frameworks in which people act. At the same time, this focus "draws attention to organisational/individual variables that enhance their capacity to produce different outcomes"(Dacin, Ventresca, & Beal, 1999 p.320). In other words, the embeddedness theory not only focuses on social relations or individuals but both, as well as the outcomes of their interactions. An enhanced understanding of the embeddedness theory has shown that it allies well with institutional theories. They both emphasise the interactive nature between the individual and their social relations. In short, the concept of embeddedness informs institutional arguments by drawing attention to both the nested and constitutive aspects of context (Dacin, Ventresca, & Beal, 1999).

Taking forward Granovetter's (1985) embeddedness theory, scholars have developed embeddedness arguments in economic sociology (Powell & Smith-Doerr, 1994; Lie, 1997), organisations and strategy (Andrews & Knoke, 1999), social capital (Portes, 1998), network theory, cultural sociology (Emirbeyer & Goodwin, 1994) and entrepreneurship (Aldrich & Zimmer, 1986; Reynolds, 1991; Larson & Starr, 1993).

Studies that have emphasised the embeddedness of entrepreneurship tend to focus on the influences of family and social networks that give rise to new venture creation (Aldrich & Zimmer, 1986; Reynolds, 1991; Larson & Starr, 1993). A review of Chinese business literature has shown that family and social networks has been the key focus (Redding, 1990; Hamilton, 1991; Redding, 1991; Tan, 1991; Brown, 1995; Mackie, 1995; Wong, 1995; Biers, 1996; Weidenbaum & Hughes, 1996; Haley, Tan, & Haley, 1998; Lowe, 1998; Buttery & Wong, 1999; Lee & Tsang, 2001). However, although the majority of the studies has covered social networks, the underlying assumption on definitions, concepts and approaches to networks differs widely. Most of these studies see networks as family, friends and other social contacts. Boissevain (1974) has provided an appropriate definition for social network: "The social relations in which every individual is embedded may be viewed as a network." (p.24)

Many studies do not attempt to distinguish between networks and the family. However, studies of Chinese businesses have indicated that the family and

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networks are two separate notions with clear boundaries. According to Redding (1990), Chinese society contains three principal components.

> "The families into which the society is atomised, and which are basic units around which life is conducted and security derived, display inside themselves intense loyalty among members, and an equivalent level of cooperation. The second component consists of the networks, each family with its own, and each bond usually initiated first out of a pragmatic need and then cemented fast by obligation, trust and friendship. Outside these is the component, that of society at large, with which are maintained polite but guarded and somewhat distant relations, stopping well short of involvement in other peoples' lives, and at times capable of being expressed in displays of indifference which can verge on the callous" (Redding, 1990 p.68).

Redding's argument about Chinese society is widely supported in other Chinese business literature (Wolf, 1968; Lau, 1982; Wong, 1985; Poutziouris, Wang, & Chan, 2002). Therefore, it is inappropriate to view the family and networks as one non-separable object. However, a substantial amount of the family and network literature is overlapped. Most of these studies tend to focus on the impact of the family and networks as factors that affect the process of new venture creation. In what follows, the family and network literature are examined and discussed separately. However, it is important to emphasise that some of the family and network literature does overlap.

3.3 Family and Family Business

Studies of family businesses can be classified into two main categories – the impact of the family on business and the characteristics of family business. The studies of the impact of the family on the business argue that the family is a key factor that affects the process of entrepreneurship at different stages. Family influences entrepreneurs' personality characteristics (Collins & Moore, 1964) and entrepreneurial behaviour (Dyer, 1992; Aldrich & Cliff, 2003). Family's involvement in the entrepreneur's start-up activities, employment of family members in the entrepreneurial firm and the involvement of family members in

ownership and management succession are the key focus of these studies (Goldwasser, 1986; Biers, 1995; Davis & Harveston, 1998; Basu & Goswami, 1999). Like the studies of Chinese family business, one common weaknesses of these studies is that these studies adopt a view of family as an external resource that can be draw upon. But as discussed in chapter 2, individuals do not just respond to their environment, they interact with their environment (Weick, 1995). Therefore an alternative perspective of looking at the family is proposed.

In the family business literature, a significant amount of studies see family business as a special form of organisation (Ward, 1987; Tu, 1991; Davis & Harveston, 1998; Stavrou & Swiercz, 1998; Chua, Chrisman, & Sharma, 1999; Westhead, Howorth, & Cowling, 2002; Olson *et al.*, 2003; Sharma, Chrisman, & Chua, 2003). Significant effort has been made in order to define the family business. However, like the term entrepreneurship, there is no one universally accepted definition in the domain of family business. Handler (1989) has listed different definitions of family business which show the wide difference of opinions from different family business researchers. The majority of these definitions focus on family influence on the management control and ownership of the organisation. A review of these definitions helps to realise that there are different types of family businesses in terms of their size and ownership/management structure. In addition, family businesses tend to evolve from one type to the other over time (Litz, 1995). Fletcher (2002) points out that the role/meaning of family in different socio-economic contexts has made it not only senseless but also untenable to agree on a unified paradigm. Furthermore, She argues that attempting to reach a unified paradigm would risk closing off new perspectives and insights that explore the complex relationship between work-family and the small business. Brockhaus (1994) concludes that it is unlikely a definition of family business will be agreed upon in the near future. Therefore he suggests that family business researchers fully describe the subset of family business that is being studied.

A significant number of family business studies have concentrated their studies on the characteristics such as the ownership/management structure of the business. The aspects that attract the most attention in the family business literature include

the study of strategic management (Ward, 1987; Pascarella & Frohnan, 1990), management style (Wong, 1985), succession (Sonnenfeld, 1988; Dyer, 1992; Westhead, Howorth, & Cowling, 2002) and culture (Dyer, 1986; Goldwasser, 1986). A common assumption underlying these studies is that family business is a 'special' form of organisation with unique characteristics. Therefore by focusing on their special characteristics it is possible to facilitate the understanding of family businesses. However, because of the diverse in focus, purpose and research objectives of these studies, it has created barriers for studies to appreciate the contribution of other studies. The other major limitation of these studies is the assumption that family business is a form of organisation that is 'naturally born'. Studies fail to explore how and why a family business is formed and how are they maintained and 'reproduced'.

A dominant approach of family studies is to view the family and business as two separate systems. These systems are typically based on different, and often incompatible values (Dyer & Handler, 1994) which are likely to give rise to conflicts between the two systems. The family system is personal, emotional and informal while the business system is characterised by rational goals, impersonal relationships and formal rules. Because of the conflict of interests between the two systems, family business is often related to negative performance because the 'rational' system loses out to the 'irrational' family system that leads to corruption and non-rational behaviour (Dyer, 1994). There are other studies which hold positive views towards family businesses, these studies argue that family members are more likely to trust one another thus reducing monitoring costs. Other studies suggest that family businesses have a high propensity in terms of their level of perseverance and commitment to see the business succeed (Davis & Tagiuri, 1989).

Litz's attempt to conceptualise family business has shed new light in this area of interest. In light of the definitional confusion, Litz (1995) attempts to categorise different family businesses by taking into account the ownership /management structure as well as the 'intentionality' within the business. According to Litz, family business varies in terms of the degree to which they desire to become, or

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not become, family dominated. Incorporating the two approaches, Litz defined family business:

> "A business firm may be considered a family business to the extent that its ownership and management are concentrated within a family unit, and to the extent its members strive to achieve, maintain, and/or increase intraorganisational family-based relatedness."(p.78)

Litz's attempt to conceptualise family business is particularly useful because it takes into account the role individual members play in a family business. A family business is not considered a form of organisation which happens to be a family business, nor a static type of organisation where its structure will remain unchanged. Instead a family business is a dynamic phenomenon which may evolve from one form to the other and is a consequence of people's behaviour. However, Litz's approach in conceptualising family business is not without its limitations. Central to Litz's argument is that individuals play an active role designing the structure of the business into either a family or non-family business. But how and why this is formed are questions left unanswered. Another major shortcoming is that it fails to take into account an individual's social embeddedness. According to Granovetter (1985), economic actors are embedded in an ongoing system of social relations that they cannot be isolated from their social context. Therefore, it is inappropriate to see individuals as isolated entities who decide what kind of business they want to create and maintain. It is through the social interaction that new ventures are created and maintained. A family business therefore, can be seen as a social product of an individual's sensemaking and enactment through their ongoing social interaction. The task therefore is not to identify the characteristics of a family business but to investigate how individuals make sense of a family business, and also to understand how these shared understandings of a family business shape the way an individual makes sense of and enacts his/her environment. In addition, how this then shapes the pattern of new venture creation in a Chinese context need to be considered.

3.4 Network

A significant number of network studies look at networks as systems that are separated from the individuals (Kienzle & Shadur, 1997; Hite, 2000; Kao, 2000). The network acts as a major source of information, opportunity and resources that is required for new venture creation. Furthermore, other studies argue that networks shape the motives, intentions and personality of entrepreneurs to create new ventures (Hisrich & Peters, 1989; Lee & Tsang, 2001). Hamilton (1990) argues that a social network is crucial to Chinese business because they are the building blocks of the socioeconomic network which one resorts to most business needs: hiring of workers; mobilisation of financial resources; creation of subcontracting relations; procurement of production materials; the meeting of bureaucratic and political demands and location of markets. Furthermore, other scholars argue that networks serve as a source of information, market opportunity, human resource, investment and political connections (Brown, 1995; Wong, 1995; Weidenbaum & Hughes, 1996; Buttery & Wong, 1999; Kao, 2000; Lee & Tsang, 2001). They are also a major source of social support and role models to entrepreneurs (Chan & Chiang, 1994; McKeen & Bu, 1998). A study of early Chinese entrepreneurs concluded that not many could have started in business without some help from family members or brotherhood affiliations based on surname, dialect locality, or village affiliations still valid in today's Chinese business (Chan & Chiang, 1994). This draws attention to the importance of network to the process of entrepreneurship. In what follows, the major impact of networks on entrepreneurship will be discussed.

3.4.1. Network as sources of information, resources and social support

Network as source of information and market opportunity

It is suggested that a social network helps to facilitate entrepreneurship by allowing individuals to get access to information and entrepreneurial opportunities (Birley, 1985; Reynolds, 1991). Information such as new business locations, potential markets, source of capital or potential investors, access to new technology, current market data and appraisal of the relevant competition are crucial in creating new ventures (Stevenson, 1984; Aldrich & Zimmer, 1986; Carsrud, Gaglio, & Olm, 1987; Kao, 1991; Shaver & Scott, 1991; Tong, 1991;

Wong, 1991; Curran *et al.*, 1993; Lowe, 1998). However, while recognising the importance of information to individuals, many of the studies do not attempt to study how and why information is made available to individuals. Granovetter (1973) developed an argument linking the diversity of ties an individual has to the scope of opportunities open to that person. He classified the links between individuals and their networks into 'strong ties' and 'weak ties'. 'Strong ties' refer to the ties between individuals and their close acquaintances such as family members and close friends. 'Weak ties' refer to the ties between individuals and their causal acquaintances. He suggested that weak ties are very important to potential entrepreneurs because they are a "crucial bridge" between strong and weak ties. It is argued that individuals with few weak ties have limited information from the distant part of a social system and will be confined to the news and views of their close acquaintances (Schwer & Yucelt, 1984). It is believed that entrepreneurs activate their weak ties for at least two purposes: to gain access to business information and to attract customers (Aldrich & Zimmer, 1986).

Source of resources

Gartner (1985; 2001) suggests that new venture creation is about organising resources. Therefore resource and exchange relationships are critical properties for new venture creation (McKelvey, 1980; Katz & Gartner, 1988). Many studies found that social networks are a major source of capital and physical resources in new venture creation (Birley, 1985; Katz & Gartner, 1988; Starr & Macmillan, 1990; Larson & Starr, 1993; Steier, 2003). Birley (1985) points out that the majority of entrepreneurs first turn to their social network for physical and capital resources when creating new businesses rather than turning to the formal institutions such as banks and government agencies. Lin (1991) argues that "it is a social attitude that money needs to be saved and managed" (p.109) in Chinese society which leads to a high propensity of saving and availability of capital when network member needs them. His study reveals more than 90% of all enterprises in Taiwan have been started from capital coming primarily from immediate family, more distant relatives or friends.

Another major resource provided through social relations has been the supply of human resources (Min, 1988). Many other studies have reached similar conclusions (Sherif, 1935; Tam, 1990; Redding, 1991; Tong, 1991; Tu, 1991; Burt, 1992; Brown, 1995; Mackie, 1995; Biers, 1996; Haley, Tan, & Haley, 1998; Buttery & Wong, 1999). Although scholars hold different views regarding the involvement of social relations in the operation of the business, social relations have been the most important source of human resources to a Chinese business, especially in the starting up stage (Tu, 1991; Wang, 1994; Biers, 1995; Choi, 1995; Palanca, 1995; Haley, Tan, & Haley, 1998).

Investment decisions

Studies argue that the network is a key determinant of investment decisions. As Weidenbaum & Hughes (1996) point out "in Chinese business, investment must be based on kinship or clan affiliations, rather than more general business principles"(p.2). Therefore the influence of a network on investment decisions cannot be underestimated (Numazaki, 1991).

Means of political connection

Traditionally, overseas Chinese businesses have tried to develop close ties with the leaders of the government of their host country. This gives them a critical advantage in assimilating, understanding and adopting the local culture, as well as the nuances of local politics and economics (Weidenbaum & Hughes, 1996). Social networks thus serve as a channel for people to establish a political connection.

So far the discussion of networks has been limited to the resources that help to shape and facilitate the creation of a new venture. The network is seen as a web of social relations where resources can be obtained to start up a new business. However, the function of a social network goes far beyond that. In other studies, researchers argue that social relations play a key role in entrepreneurship by influencing entrepreneurs through social support and role models (Chan & Chiang, 1994; Henderson & Robertson, 1999).

Social support

Social networks provide social support in two ways. Firstly, they provide emotional support to individuals in the process of new venture creation. A study shows that many Chinese entrepreneurs fondly recall their deep affection for and gratitude to their parents, whom they acknowledge as the primary source of their motivation (Wong, 1995). Secondly, the social network recognises and legitimises individuals by sharing group values, beliefs and norms (Post, 1995; Biers, 1996; Haley, Tan, & Haley, 1998; Buttery & Wong, 1999).

Role model

It is argued that in a network there are dominant or high-status individuals who serve as role models for others or may use their position to direct the behaviour of individuals (Chan & Chiang, 1994). Studies indicate that most entrepreneurs have successful role models, either in their family, in the work place or in some other social or business context (Brockhaus & Pamela, 1986). These studies suggest that seeing someone else succeed encourages entrepreneurial efforts. Therefore, individuals with parents or friends who are successful entrepreneurs are more likely to found their own business. This argument is emphasised in many Chinese business studies (Pan, 1990; Wang, 1994; Suryadinata, 1995; Haley, Tan, & Haley, 1998; McKeen & Bu, 1998)

In sum, a significant part of the Chinese business literature emphasises the importance of networks in the creation of a new venture. One of the assumptions is that social networks provide a certain 'environment' that may hinder or facilitate entrepreneurship. A major limitation is that these studies have followed a resource-based approach. They tend to focus on the social network as a source of business information, capital, labour help, social support and market opportunities. Although they recognise the importance of social embeddedness of individuals, they fail to show that individuals and their social relations are reciprocal and interactive. The majority of the studies have focused on the characteristics of a social network and have neglected the role that individuals play. So embeddedness is implicit in these studies. According to Granovetter (1985), the arguments of these studies are either 'undersocialised' or 'oversocialised' – they assume that individuals are like atomised actors who

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responded to their environment automatically and mechanically. It is therefore, necessary to develop an alternative view in order to advance understanding of a network.

3.4.2 Social network – an alternative view

In light of the limitations of the network studies, other studies of social embeddedness go one step further in exploring the interactive nature of the individual and their social context. Taking forward Granovetter's (1985) embeddedness theory and Aldrich's (1986) emphasis on social networks, Larson and Starr (1993) have developed a network model of organisation formation. They emphasise that the "network model takes account of the social embeddedness of economic relationships and the multidimensional nature and content of business relationships." They argue that "actors are not atomistic, but that they exist within systems of actors. An actor's actions are shaped by this social context." Their argument assumes that "economic institutions are socially constructed and fundamentally influenced by the history and structures of personal relations and network of such relations."(p.5) According to Larson and Starr, social networks are used to secure the critical economic and non-economic resources needed to start a business. They recognised that resources and exchange relationships are critical properties of emergent organisations and that previous working relationships, voluntary connections, kinship and community ties are essential to the creations of a new venture. They state that "entrepreneurs first turn to prior business contacts, family and friends for the information, physical and capital resources, sales and social support needed to translate an idea into a business reality (initial exchange)"(p.6). The social relations are then transformed into socioeconomic exchanges through the actions and persuasive abilities of the entrepreneur. In the final stage of their network model, the initial exchange relationship is layered with additional business functions, activities and levels of exchange. "This process of layering the organisation-to-organisation relationships onto the entrepreneur's personal network relationships is facilitated by the social context that already has been established" (p.11). In short, Larson and Starr's network model highlights the importance of social context to the study of networks.

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There are many researchers that focus their studies on network analysis. Gnyawali and Madhavan (2001), for example have adopted a multilevel network analysis in their studies of competitive dynamics of organisations. However, their approach is aligned to a realist view which tends to focus on the structure and restructure of networks. Like many other network studies, they tend to see networks as independent entities which exist "out there" for individuals to get access to information and resources. In light of this, studies have shifted their focus from network to networking. It is argued that network is socially construction rather than independent entity (Johannisson, 1995). Taking this view forward, Chell and Baines (2000) focus their study on the relationship between business owner type and their engagement with processes such as networking and outcomes in respect of business performances. They argue that different business owners interpret, perceive and participate in networking differently. Their argument is supported by Fletcher (1997) who argues that network as a real, physical, tangible and objective entity simply does not exist. However, neither is it her intention to argue that the network is purely individuals' perception and interpretation. Instead a social constructionist position as explored by Watson (1994) is argued for.

Fletcher (1997) presented a social constructionist view of a network:

> "An 'internal realist' perspective recognises that there is an organisational reality which exists outside of the managers as they undertake their daily tasks in the organisation. However, this organisational reality is one which is made sense of by them through the social and cultural interaction process which typify daily organisational life. All businesses are organisations of people interacting with each other and networking patterns evolve from the intertwining socio-economic exchange processes which connect and tie actors/activities together...The ability to get access to new sources of knowledge and the process of internalising and reproducing that knowledge provides meaning, sense and legitimisation for managers. So through interaction and reflection, people constantly frame and re-frame their interpretations according to that interaction."(p.72)

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Taking this forward, the network, therefore, is not seen as a tangible entity that exists 'out there'. It is a social construction and is shaped and reshaped by individuals' ongoing social interaction. Building upon the social constructionist view of networks, the important contribution of a process view of network analysis is that it allows an exploration of the construction of meanings arising from social interactions and exchange (Anderson & Jack, 2002).

Although the studies have emphasised the importance of a network to an individual, there is a lack of discussion of the interaction between individuals and their social relations. As a result, how an individual makes sense of their social relations, how they interact with each other and how the meanings are shaped are questions left unanswered. The above discussion has emphasised the importance of social interaction in the process of new venture creation as it is through social interaction that meanings are shaped, shared and institutionalised, it is through social interaction that the entrepreneurial factors such as opportunity, risk, family and network come into being. Although studies have emphasised the importance of social interaction, rarely have they focused on the process of social interaction and how this shapes the individuals' 'reality'. Social interaction, can be seen as a bridge between the person and his/her social relations and social context but how this bridge is formed, how this operates and what impact it has are questions left unanswered.

To appreciate the reciprocal nature of the social embeddedness of economic behaviour, it is necessary to bring the actors back to the centre of the stages because none of the other factors discussed will create a new venture without the action of a person. But this does not mean that this study will focus on individuals only. This study will focus on individuals in their social context, how they interact and realise entrepreneurial activities. Here, then, two further concepts of sensemaking and enactment can help to extend previous work by scholars of embeddedness and institutional theories.

3.5 Sensemaking and Enactment

Berger and Luckmann's social constructionism has been taken forward by other scholars in the last few decades. One of the most influential contribution is Weick's (1995) theory of sensemaking. According to Weick, the social construction of reality is a process of sensemaking. It is about the ways in which people interpret what they perceive. To engage in sensemaking is to construct, filter, frame and create "facticity" and to render the subjective into something more tangible (Chell, 2000). Weick (1995) listed seven characteristics that set sensemaking apart from other explanatory processes such as understanding, interpretation and attribution. According to Weick, sensemaking is understood as a process that is: (1) grounded in identity construction; (2) retrospective; (3) enactive of sensible environments; (4) social; (5) ongoing; (6) focused on and by extracted cues and (7) driven by plausibility rather than accuracy (p.17). These characteristics are coherent with social embeddedness theory suggested by Granovetter (1985). Social embeddedness theory emphasises the ongoing, reciprocal relationship between economic actors and their social relations. The characteristics of sensemaking are useful for researchers because they "suggest what sensemaking is, how it works, and where it can fail" (Weick, 1995 p.18). This listing provided by Weick is more like an observer's manual or a set of raw materials for disciplined imagination (Weick, 1989) than it is a tacit set of propositions to be refined and tested (Weick, 1995 p.18).

Enactment is one of the key components of the sensemaking process. While sensemaking is something happening inside the sensemaker's mind, enactment is shown through an individual's decision and behaviour. The concept of enactment challenges the common assumption of studies from different perspectives including psychology (Robinson et al., 1991; Koh, 1996; Minniti & Bygrave, 1999; Neck et al., 1999); organisational ecology (Carroll, 1984; Carroll, Delacroix, & Goodstein, 1988; Hannan & Freeman, 1989; Aldrich & Wiedenmayer, 1993) and economics (Kirchhoff, 1991; Shane, 2000; Swedberg, 2000). These studies claim that environment influences the individual but individuals have no influence on their environment. According to these studies, irrespective of an individual's perceptions of the environment, characteristics of

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the environment will have a key impact on an individual's choice but individuals have no impact on their environment.

This assumption was challenged by Weick (1969; 1979) who argued that individuals have a role to play in shaping their environments. According to Weick, concepts such as the negotiated environment and the social construction of reality share a presumption that knowledge is acquired with the flow going from object to a subject.

> "The object is perceived, worked on cognitively, variously labelled, and coupled with various remote or distal events. Less attention is given to the possibility that understanding also moves in the opposite direction. The potential effect of the subject on the object signifies that knowledge is an activity in which the subject <u>partly</u> interacts with and constitutes the object (Gruber & Voneche, 1977). There is a reciprocal influence between subjects and objects, not a one-sided influence such as is implied by the idea that a stimulus triggers a response."(Weick, 1979 p.165)

According to Weick, the relationship between the enacted environment and its creators is one of mutual influence - individual do not react to an environment, but they enact it (1969 p.64). Environments, as Weick suggests, are socially constructed, subjective and the product of an individual's action, rather than viewed as a set of fixed circumstances that must be responded to (Weick, 1979 p.164). However, it is noted that the enacted environment is not synonymous with the concept of a perceived environment because

> "if a perceived environment were the essence of enactment then, ... the phenomenon would have been called enthinkment, not enactment" (p.164)

Therefore, the enacted environment is not an input to individuals, it is treated as an output of the individual. The assumption underlying the enactment theory is that individuals do not just perceive their environment differently, but as a result of their perception their decision and actions help to shape environments.

Weick (1979 p.130-132) suggested four elements of organising the enactment processes: ecological change, enactment, selection and retention. The enactment process is illustrated in Figure 3.1.
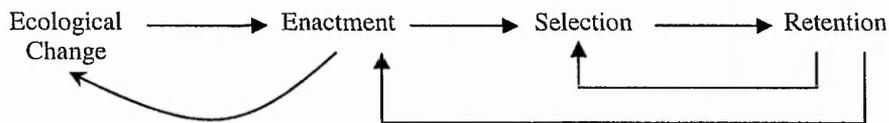
Figure 3.1 Enactment Process

The processes of sensemaking and enactment are interwoven and interrelated. In the process of sensemaking, different forms of enactment are involved. The 'product' of sensemaking, that is, the enacted environment, is then influenced by different forms of enactment. It is noted that people do not make sense of everything, instead they notice and extract cues in the process of sensemaking (Weick, 1995); the process of noticing and extracting cues is one form of enactment. Other forms of enactment occur when ecological change (variation, differences or discontinuities) are noticed by individuals. "When differences (ecological change) occur in the stream of experience, the actor may take some action to isolate those changes for closer attention. That action of bracketing is one form of enactment. The other form occurs when the actor does something that produce an ecological change, which change then constrains what he/(she) does next, which in turn produces a further ecological changes, and so on."(Weick, 1979 p.130). To make sense of the ecological change, people select schemes of interpretation that are built up out of past experiences and store the products of successful sensemaking, the enacted environment. The retention of the enacted environment then becomes material for future sensemaking.

Taking forward Weick's enactment model, Smircich & Stubbart (1985) suggested an interpretive perspective in strategic management. They argued that the term 'environment' refers only to a specific set of events and relationships, noticed and made meaningful by a specific set of strategists. An interpretive perspective does

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not treat the environment as separate objective forces that impinge on an organisation. Instead, 'environment' refers to the ecological context of thought and action, which is not independent of the observer-actor's theories, experiences and tastes. It is strategists' social knowledge that constitutes their environment (p.727).

The key theme of the interpretive perspective is emphasised in the role that actors play:

> "...the interpretive perspective highlights personal involvement with knowledge; it emphasises that knowledge is standpoint dependent. An interpretive perspective aims to put the author back into the text, as one who authorises the account." (Smircich & Stubbart, 1985 p.728).

Smircich and Stubbart (1985) also challenge the notion of 'fact', they argue that events and situations are always open to multiple interpretations, as individuals interpret on the basis of their knowledge, the facts never speak for themselves (p.729).

Smircich and Stubbart's argument is supported by Pfeffer and Salancik's (1978) earlier study:

> "If environments are enacted, then there are as many environments as there are enactors, which may explain why there are so many typologies of organisational environments, as well as why different organisations and even different individuals within each may react differently to what appears to be the same context." (p.73)

The enactment perspective has been criticised because people's sensemaking activities are prone to distortions resulting from incomplete or inaccurate information processing (Einhorn & Hogarth, 1986; Levitt & March, 1988). The enactment perspective argues that a separate objective "environment" simply does not exist (Burrell & Morgan, 1979). Instead, organisations and environments are convenient labels for patterns of activity. What people refer to as their

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environment is generated by human actions and accompanying intellectual efforts to make sense out of these actions (Smircich & Stubbart, 1985 p.726). With regard to information processing, it is argued that if environments are enacted then there is no such thing as a representation that is true or false, there simply are versions that are more and less reasonable (Weick, 1979 p.168-169). This argument was also asserted by Pfeffer and Salancik's (1978) and their emphasis on enactor and enacted environment.

It must be emphasised that sensemaking and enactment are both subjective and objective. It is subjective because individuals make sense and enact their environment based on past experience and social knowledge. It is objective because the shared social meanings among members of the social group shape the way people make sense of their environments, these shared meanings then determine 'true' or 'false', 'reasonable' or 'unreasonable'.

The enactment perspective has been used in studies of strategic management (Smircich & Stubbart, 1985; Dutton & Jackson, 1987), organisational identity (Gioia, Schultz, & Corley, 2000; Scott & Lane, 2000), organisational action and performance (Thomas, Clark, & Gioia, 1993) as well as the performance of stock market (Abolafia & Kilduff, 1988). However, there is little study of sensemaking and enactment in the field of entrepreneurship, especially in the Chinese context.

3.5.1 Enactment and entrepreneurship

In the field of entrepreneurship, opportunity has been one of the main areas of study. It is claimed that to have entrepreneurship, one must first have entrepreneurial opportunities (Shane & Venkataraman, 2000). According to these authors, opportunities are in the environment, they are objective information that exist 'out there'. There are different explanations for the discovery of opportunity. Kirzner (1997) argues that opportunities are just not visible to those who are not alert, non-alert individuals are essentially 'blind'. Also Shane and Venkataraman (2000) argue that although recognition of entrepreneurial opportunities is a subjective process, the opportunities themselves are objective phenomena that are not known to all parties at all times (p.220). The discovery of opportunities is a result of the different prior knowledge people possess (Shane,

2000). A major weakness of this opportunity discovery perspective is that they hold a realist view that opportunities are real, something that exist 'out there'. This view is criticised by scholars who argue that opportunities are socially constructed (Chell, 2000). Chell's argument is supported by other scholars who argue that opportunity is enacted (Gartner, Carter, & Hills, 2001).

Gartner (2001) criticises studies which follow an 'opportunity discovery' perspective. He argues that entrepreneurial opportunity is enacted, not discovered. Gartner describes the opportunity enactment perspective:

> "...the idea of retrospective sensemaking implies that the discovery of an opportunity would merely be a realisation, and therefore, a <u>labelling</u> of an ongoing set of entrepreneurial activities, one of which would be, the recognition of an opportunity...Discovery is a bracketing of a cacophony of experiences and activities that entrepreneurs are engaged in. That is, opportunities would be described as occurring from (as a part of, out, or after) activities that individuals are already involved in." (p.11)

Entrepreneurial opportunities, therefore, are social products, they are created by individuals through ongoing sensemaking and the enactment process. Therefore the argument that opportunities create entrepreneurship is equivocal because entrepreneurship, too, is a social product. The argument that opportunities are an outcome of the sensemaking activities of individuals is asserted in other studies (Dutton & Jackson, 1987; Thomas, Clark, & Gioia, 1993; Gioia, Schultz, & Corley, 2000; Scott & Lane, 2000). According to Weick's (1979), environments are socially constructed, subjective and the product of an individual's interpretation, rather than viewed as a set of fixed circumstance that must be responded to. In enacted environments, which are not independent from enactors, opportunities are not tangible objects that exist 'out there' in the environment. Instead they are signals or situations that are interpreted as opportunities by individuals; actions are then followed to realise them. Taking this forward, it can be argued that other entrepreneurial factors such as capital, human resource, knowledge and skills, family and network are also socially constructed. It is individuals' continuous sensemaking, enactment and social interaction that these

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factors 'exist' in the individuals' environments. Therefore, this thesis argues that rather than focusing on a specific set of socially constructed factors, it will shed new light by focusing on the process of how individuals construct the meanings of these factors, and how this then helps to shape the meanings of entrepreneurship and entrepreneurial behaviours.

3.5.2 Enactment and Chinese entrepreneurship

A review of Chinese entrepreneurship has not found any study that has used the enactment perspective. However, it is interesting to find the notion of enactment implied in some of the studies. For example, in Chan and Chiang's (1994) study of Chinese entrepreneurs in Singapore, they argue that the characteristics of the entrepreneurs, which is an outcome of their social network, past experiences and institutional environments, have made entrepreneurs 'overcome several business failures, bounce back, mobilise resources and start all over again'(p.355). They argue that 'nothing would have happened if a migrant-entrepreneur himself did not consciously choose to activate his resources and position himself for skilful manipulation and exploitation of his environment."(p.356). It can be argued that the actions of 'overcoming failures', 'bouncing back', 'mobilising resources' and 'exploitation of the environment' are different forms of enactments. Entrepreneurship is therefore a consequence of different forms of enactments. In short, entrepreneurial activities are socially constructed and enacted.

To bring these ideas together, it is argued that environmental factors may play a key role in new venture creation, however, it is the actors who actually make it happen. Therefore, to understand how new venture creation is realised, first of all, it is essential to include the actors in the central focus of the study. Second, all actors are embedded in a reciprocal, interactive social context. Third, individuals are continuously making sense of and enacting their social context to construct meanings of entrepreneurial factors and entrepreneurship. These constructed meanings then shape the way they make sense and enact their environment and lead to repeated, collective actions. Therefore, by focusing on how people make sense and enact their social context it is possible to advance our understanding of entrepreneurial factors and entrepreneurship.

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Based on the discussion above it is possible to conceptualise the process of sensemaking and enactment and illustrate this in a diagrammatic form in Figure 3.2.
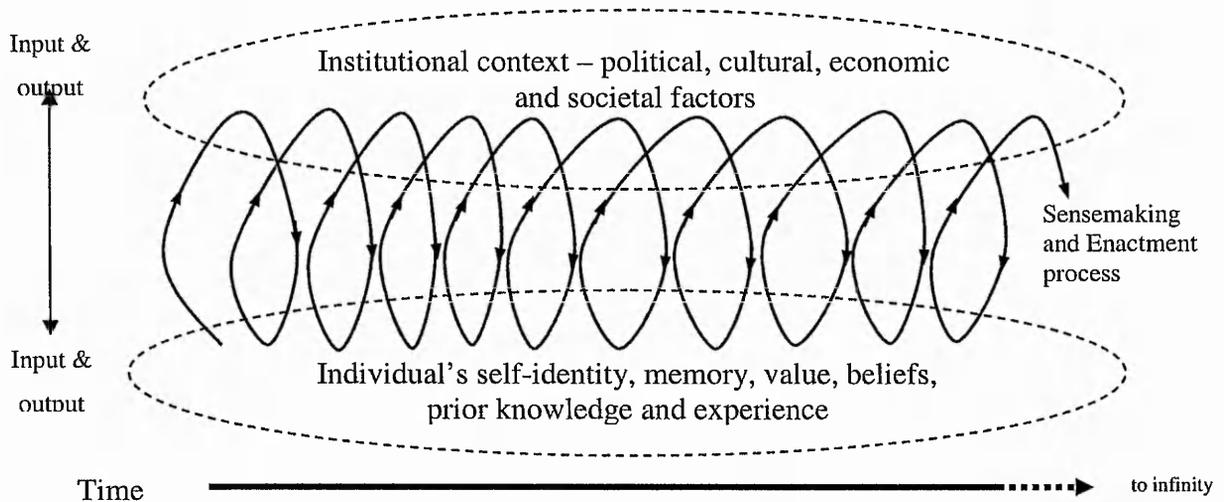
Figure 3.2 Sensemaking Process

Incorporating the theories of sensemaking and enactment, Figure 3.2 illustrates the characteristics of both theories and that the process of sensemaking comprises of two major 'parts'[1] - the individual and his/her constructed environment. The spiral wire in between the two parts represents the ongoing sensemaking and enactment process. It has no beginning or ending. The arrow in the spiral wire shows the interactive, mutually influenced nature of the sensemaking process. It shows that individuals and their 'environments' are so interwoven and reciprocal that there is no clear-cut boundary between them.

It must be emphasised that sensemaking and enactment are social processes. Individuals do not make sense and enact their environment in an isolated world. It is through ongoing social interaction that meanings and experience are shared, action repeated which then result in institutionalisation. It is therefore necessary

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[1] In order to simplify the illustration of the sensemaking process, individuals and their environments are represented as two separate entities. It is noted that there is no clear-cut border between individuals and their 'environment'. Environment is socially constructed by individuals

to discuss the relationship between sensemaking and institutionalisation. As argued in earlier section, individuals are embedded in social relations, therefore to understand the process of sensemaking and enactment, it is important to include the social context of the individual in the discussion. This is where the theory of social embeddedness has important contribution to make. In the following section, the relation of social embeddedness and institutional studies will be discussed.

3.6 Social Embeddedness and Institutional Studies

The discussion in the last few sections has helped to understand that social embeddedness is not confined to an individual's embeddedness in proximate social relations, as many of the studies imply. Instead, embeddedness in different levels of social context is equally important. The social context is a combination of different institutional factors at multiple levels. This can be summarised as interrelated factors in political, societal, cultural and economic aspects. The discussion that is presented above shows that institutional theories can fit well with the theory of social embeddedness. Institutional analysis has been used in many studies of Chinese business (Redding, 1990; Chan & Chiang, 1994; Hodder, 1994; Hamilton & Biggart, 1997; Orru, 1997). Two major contributions of institutional studies can be concluded here. First, as Orru points out (1997) in his study of small firm economies of Italy and Taiwan "the institutional factors result from a combination of sociocultural, financial, political and economic traits that are often linked with each other at multiple levels, and are, therefore, hard to isolate in a clear fashion...no single factor, however important, can by itself account for creation of small firm economies"(p.365). The institutional analysis looks at the institutional factors from multidimensional, multiple level perspectives and takes into account the interconnections between the different factors, rather than focusing on specific aspects like other perspectives.

The second important contribution that these institutional studies have made is their emphasis on the role that individuals play. Unlike other studies which focus

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which then impose constraint and opportunities on them (Weick, 1979 p.135). In other words, individuals are part of their environments.

on the environment forces and their influences on the individuals, the institutional analysis recognises the importance of individuals and their influence in reinforcing their environment. Orru's (1997) conclusion in his study of small firm economies in Taiwan provide an excellent example to illustrate the contributions of institutional analysis:

> "In the Taiwanese social context we observe a virtuous circle where a small-firm economy encourages personal savings with the realistic possibility of business independence, and patterns of personal savings in turn reinforce the small-firm economy by making small entrepreneurship a reality. The culturally ingrained attitudes that value thrifty management of financial resources, then, reinforce the sociostructural pattern in turn. The institutional factor of saving patterns illustrates clearly the close interrelation between individual values and social structure in economic life; one can easily move back and forth between the two levels and observe how they reciprocally reinforce each other."(p.357)

In reviewing the literature on social embeddedness and institutional theories, an important weakness can be identified. In spite of the major contribution that the theory of social embeddedness and institutional theory make, there is still a lack of linkage between the individual and their social context. For example, in the study discussed above, Orru (1997) has analysed the interconnection between the individual, social values, social structures, saving patterns, sociostructural patterns and how they reinforce each other. According to Orru, individuals posses certain 'individual values' that interact with their institutional environment in different levels, it then gives rise to small entrepreneurship in the society. However, how individuals happen to 'posses' those 'individual values' is not examined in his study. According to Orru's study, individuals happen to be in the society and therefore being instilled in certain 'social values', which then become their 'individual value' and thus influence their behaviour and overall sociostructural pattern. Again this shows the weakness that individuals are like atomised actors who respond to their environment mechanically. In other words, Granovetter's (1985) criticism that "atomisation has not been eliminated, merely transferred to a different level of analysis" (p.487) becomes relevant.

Another major weakness that can be identified from the studies is their assumption that the environment is separated from individuals, it exists 'out there' and constrains individuals' behaviour. As previously argued environments are enacted (Weick, 1969; 1979) because individuals are part of their environment and cannot be separated from them. Weick (2001) emphasised the relationship of the individual with their surroundings from the sensemaking perspective: "people are both proactive and reactive toward their surroundings. They create their own constraints, whether they do so by normalising or by enacting self-fulfilling prophecies, or by simply messing up "the scene of the crime" thereby making it impossible to see what really happened. These are all instances of enactment. In each case people put a personal imprint on what is 'out there'" (p.176-177). In short, institutional context is continuously made sense of and enacted by individuals.

3.7 Sensemaking, institutionalisation and institutional context

Weick (1995) has linked sensemaking and institutionalisation: "It is this institutionalising of social constructions into the way things are done, and the transmission of these products, that links ideas about sensemaking with those of institutional theory. Sensemaking is the feedstock for institutionalisation"(p.36). Institutionalisation influences how individuals make sense of their environment and, at the same time, people's ongoing sensemaking process gives rise to institutionalisation through shared meanings, repeated, collective action over time. In the other words, sensemaking and institutionalisation are interactive and reciprocal.

Taking forward the discussion of relevant literature, a conceptual framework has been developed and is illustrated in diagrammatic form in Figure 3.3.

Figure 3.3 Sensemaking, enactment and institutionalisation

Shared meanings and repeated, collective actions in the social group

Social Group

Group member

Group member

Group member

Group member

Institutional Context

Political

Cultural

Societal

Economic
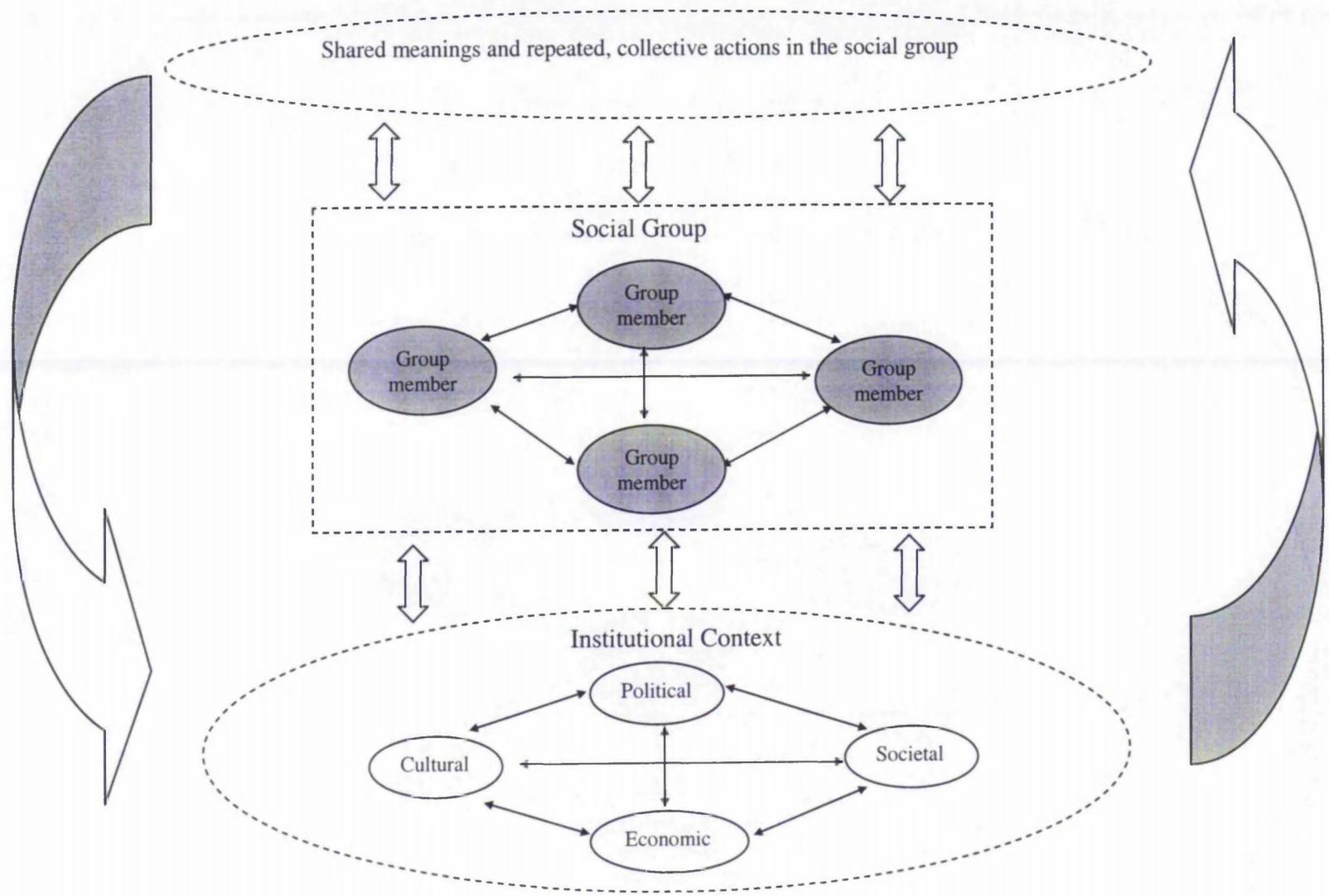
In the diagram, group members are the only solid entities, other factors such as institutional context and shared meanings are created through individual group members' sensemaking and enactment. Group members in the diagram represent people in a social group. Within a social group, through ongoing social interaction, institutional contexts are likely to be shared between one and others. It must be emphasised that the different institutional factors are interrelated, as is illustrated in the diagram. The shared institutional context creates meaning alignment and shared group values among members. As a result, people are more likely to make sense and enact their environment in similar ways, leading to the process of institutionalisation[2]. Because the aligned meanings are embedded in the individual's prior knowledge, it becomes 'the material' that individuals use to make sense of events without thinking about why this is so, thus explaining taken for granted aspects of sensemaking. Blumer (1969) points out that shared meanings, values, and repeated actions 'glue' the society together. Institutionalisation, therefore, is not confined to aligned meanings, what is emphasised is the shared experience and repeated, collective actions among group members (Weick, 1995), which lead to shared understanding and recognisable patterns of repeated action. It must be emphasised that sensemaking, enactment and institutionalisation is an interrelated process. This institutionalised meaning then shapes the 'reality' of the social group. This socially constructed reality then shapes the social context of individuals and thus the way they make sense and enact their environments.

3.8 Sensemaking, Enactment and Institutionalisation of Entrepreneurship

As discussed in the last chapter, studies of Chinese businesses have showed that there is a distinguishable pattern of new venture creation in Chinese communities. According to Tam (1990), patterns of new venture creation have formed a "Chinese configuration - the basic tendency is centrifugal. Fission and refusion is a dominant mechanism for firm formation" (p.177). Tam's argument is supported by many other Chinese business studies (eg. Redding, 1990; Chan & Chiang,

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[2] It must be emphasised that it is impossible for people in the same group to share the same social contexts because the individual variables such as family and network, education and past experiences play a key role in constructing individuals' social context.

1994; Choi, 1995; Orru, 1997). Therefore it can be argued that the pattern of new venture creation is institutionalised in a Chinese context.

The discussion above highlights the importance of social interaction and shared, aligned meanings among social groups through which entrepreneurship is realised. Studies discussed in this and the previous chapter have shown that factors such as capital, opportunities, risk, knowledge and skills, family and networks play a key role in new venture creation. Incorporating the social constructionist view, it is argued that these factors are socially constructed. The constructed meanings of these factors then help to shape the way individuals make sense and enact their environment in the process of new venture creation.

Taking forward the earlier discussion, a theoretical framework of entrepreneurship has been developed and is illustrated in diagrammatic form in Figure 3.4.

The diagram illustrates a social constructionist view of entrepreneurship. Entrepreneurship is seen as a process that is the product of individual actors' ongoing sensemaking and enactment. The diagram highlights the relation between the business founders, their social relations and institutional context. Business founders, as showed in the shaded ovals, are embedded in their network and continuously interacting with their family, personal ties and kinship. The arrows in between different elements illustrate the interaction between the social actors and their environment. It must be noted that the arrows are pointing on both sides, showing the mutually influenced nature of the actors and the different elements. Through ongoing social interaction, meanings are shaped, shared and institutionalised. In turn, these institutionalised meanings shape the way business founders make sense and enact their institutional context, which in turn shape the way they make sense and enact entrepreneurial factors such as capital, opportunities, knowledge and skills to create a new venture. This then gives rise to the repeated, collective actions in the particular social network and thus lead to patterns of new venture creation in the cultural context.

Figure 3.4 Sensemaking, Enactment and Institutionalisation of Entrepreneurship

Repeated, collective actions → patterns of new venture creation in cultural context

Capital, opportunity, risk, human resource, knowledge, skills, family and network

Network

Business founder

Family

Personal ties, kinship

Business founder

Institutional Context

Societal

Political

Economic

Cultural

Shared, institution-alised meanings

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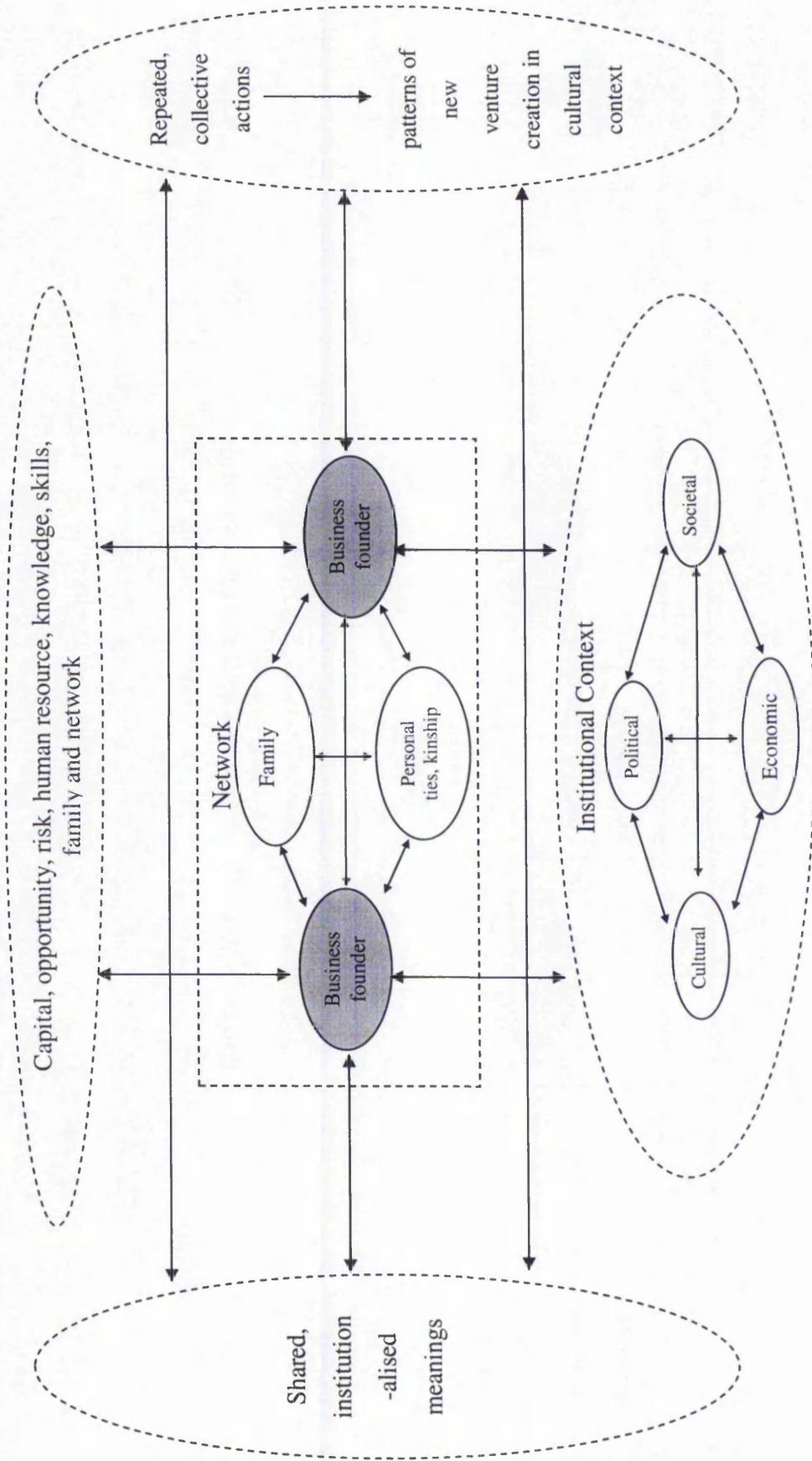
It must be emphasised that all the elements in the diagram, except the actors, are socially constructed[3]. It is through ongoing sensemaking and enactment that these elements exist 'out there'. In the process of new venture creation, the entrepreneurial factors only exist because of the business founders' sensemaking and enactment through social interaction. It is the business founders who make sense and enact their social relations, the institutional context and the entrepreneurial factors to create a new venture. The diagram also illustrates the interwoven and interrelated nature of the different elements that influence the process of new venture creation. It must be emphasised that all the elements are interrelated to each other through the actors, they do not influence each other on their own because they do not exist without the existence of the business founders. Also it must be emphasised that this is an ongoing process, no one single element, no matter how important it could be, is complete on its own.

Building upon the conceptual and theoretical framework that has been discussed in this chapter, it can be argued that a social constructionist approach provides a distinctive way to enhance understanding of Chinese entrepreneurship. As discussed earlier, studies has argued that there is a distinguishable pattern of new venture creation in different Chinese communities. It is argued earlier in this chapter that the pattern of new venture creation is institutionalised in Chinese communities. Therefore to understand what gives rise to this institutionalised pattern, it is necessary to understand how individuals in different subcultures make sense and enact the entrepreneurial factors in the process of new venture creation. As people use a common language to interpret and convey the shared meanings, it can be argued that the constructed meanings of these factors provide discursive resources for individuals to talk about, interpret, interact and share their understandings of entrepreneurial factors in the process of sensemaking, enactment and institutionalisation. The tasks of the researcher therefore, is firstly to investigate how individuals talk about these entrepreneurial factors in different Chinese subcultures, secondly, to investigate the aligned meanings associated with

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[3] Some might argue that even actors are socially constructed. It is therefore necessary to make clear that the actors are presumed to be concrete and real.

entrepreneurship and finally, to investigate the impact of institutional context on the aligned meanings in different social contexts.

The theoretical framework highlights the importance of the social constructionist approach in advancing understanding of entrepreneurship. It is therefore necessary to take forward the social constructionist idea in order to enrich the methodological framework for this thesis. In what follows, the different perspectives of entrepreneurship are summarised into different categories: individualist, environmentalist and social constructionist, with the aim of understanding their impact on the methodological issues.

3.9 Entrepreneurship – individualist, environmentalist and social constructionist approach

As discussed in chapter two, there are three groups of entrepreneurship studies, the individualist, environmentalist and institutionalist. Both individualist and environmentalist adopt 'outside-looking-in' approaches. Researchers are assumed to be separate from the entrepreneurship process and study the process from an outsider's perspective. The task of the researcher is to collect the data from the field. The shared meaning, negotiation style is irrelevant to the research. This thesis recognises the contribution of both individualist and environmentalist approaches. However, as discussed previously, major drawbacks are identified from each approach. Therefore an alternative conceptual and methodological is proposed in this thesis: the social constructionist approach. By taking forward the institutionalist approach, the social constructionist view of entrepreneurship recognises the active role that individual entrepreneurs play in the process of entrepreneurship. In addition, it is argued that individuals are not isolated souls, they are continually interacting with their social relations to create their environments. It is believed that a social constructionist approach is able to bridge both individualist and environmentalist perspectives of entrepreneurship, which are more aligned to a realist ontology.

Table 3.1 summarises the different entrepreneurship perspectives in terms of their epistemological assumptions and their features.

Table 3.1 Entrepreneurship - Individualist, Environmentalist and Social Constructionist Approach

Epistemological Assumptions / Features	Individualist	Environmentalist	Social Constructionist
Perspective	▪ Psychological	▪ Social/cultural ▪ Economic ▪ Organisational Ecology ▪ Institutional	▪ Sensemaking ▪ Enactment ▪ Institutionalisation
Focus	▪ Personality trait ▪ Personal characteristics	▪ Social group ▪ Social/cultural value ▪ State policy ▪ Economic structure ▪ Opportunity ▪ Resource ▪ Network	▪ Social interaction and aligned meanings
Role of entrepreneurs	▪ Very important	▪ Not important	▪ Active role in the process of new venture creation
Role of non-entrepreneurs	▪ Irrelevant	▪ Irrelevant	▪ Active role in the process of new venture creation. Very important
Approach	▪ Outside looking in	▪ Outside looking in	▪ Inside looking out
Relationships between entrepreneurs and social relations	▪ Subject – Object or ▪ Object – Subject ▪ One way influenced	▪ Subject – Object or ▪ Object – Subject ▪ One way influenced	▪ Subject – Subject ▪ Mutual influenced
Talk/Monologue	▪ Irrelevant	▪ Irrelevant	▪ Essential to the process
Cultural characteristics	▪ Irrelevant	▪ Either a key determinant or irrelevant	▪ Very important but not static factors
Reasons of entrepreneurship	▪ Natural born characteristic	▪ Culturally influenced ▪ Opportunity/resource availability	▪ Influenced by institutionalised meanings of entrepreneurship
Negotiation style	▪ Irrelevant	▪ Irrelevant	▪ Ongoing interaction through different forms of social interactions
Social/org. order	▪ Irrelevant	▪ Static, well organised	▪ Self organisation ▪ Inter-dependence
Researcher's role	▪ Collect information ▪ Independent from the research	▪ Collect information ▪ Independent from the research	▪ To make sense and interpret information. The research crafter

Source: Adapt from Fletcher, D. (2004 forthcoming). The Promise of Interpretive and Social Constructionist Research for Entrepreneurship Research. *Entrepreneurship Theory and Practice, under review.*

An important contribution of the social constructionist approach is that it focuses on the construction of meanings arising from social interaction, from an 'inside-looking-out' perspective. The individualist and environmentalist approaches tend

to adopted an 'outside-looking-in' perspective, as a consequence, many different factors are emphasised in different studies but none of them alone can provide us with a satisfactory analytical framework in studying entrepreneurship. An 'inside-looking-out' perspective is adopted because none of the factors, no matter how important they are, can create a new venture without a person. It is individuals who organise the resource and make entrepreneurship happen. Therefore it is important to understand how individuals make sense and enact their environment to create a new venture. However, individuals are not isolated from their social relations, they are embedded in and are continually making sense of and enacting their environment. Therefore an 'inside-looking-out' perspective provides a promising tool to incorporate the contributions of different approaches. In addition, it must be emphasised that the researcher is not separated from the research process, instead, she is actively making sense and enacting the research. This will be discussed further in chapter 4.

3.10 Summary & Conclusion

This chapter begins with a discussion of social constructionism, social embeddedness, sensemaking and enactment aiming to build a conceptual framework for this investigation. The central themes of social constructionism are the nature of reality, knowledge, language and social order. It has been argued that reality is socially constructed, thus challenging the ontological assumptions of both science and social science. A discussion of the theory of social embeddedness and a review of the social network literature with its emphasis on Chinese business literature then followed. The theory of social embeddedness argues that economic actors are not atomised actors who respond to the environment mechanically. Instead they are embedded in their social relations and reciprocally interact with their environment continually.

A review of the relevant literature has highlighted that institutional analysis complements the theory of social embeddedness. Institutional analysis looks at institutional factors from multidimensional, multiple level perspectives and takes into account the interconnections between the different factors. As a result, this approach has the potential to connect the contribution of different perspectives to establish a comprehensive conceptual framework for understanding

entrepreneurship. The second important contribution from these institutional studies is their emphasis on the role of individuals. Unlike other studies that focus on the environment forces and their influences on the individuals, institutional analysis recognises the importance of individuals and their influence in reinforcing their environment.

In reviewing the literature of social embeddedness and the institutional perspective, an important weakness can be identified. In spite of the major contribution that the theory of social embeddedness and institutional theory made in the studies, there is still a lack of linkage between the individual and their social context. In particular, how individuals posses the 'social values', 'culture' and 'customs' that influence their behaviour are left unanswered. This is where the concepts of sensemaking and enactment are particularly useful in bridging the gap.

The concepts of sensemaking and enactment provide a framework that links individuals and their social context and also help to explain how meanings are constructed by the individual under specific social contexts. Drawing upon these concepts, a conceptual framework has been developed. It is noted that the processes of sensemaking and enactment are interwoven and interrelated. In the process of sensemaking, different forms of enactment are involved. The 'product' of sensemaking - the enacted environment, is then influenced by the different forms of enactment. The sensemaking model provides a potential link between sensemaking and institutionalisation. The process of sensemaking and institutionalisation is interwoven and reciprocal. Institutionalisation influences how individuals make sense of their environment and, at the same time, people's ongoing sensemaking process gives rise to institutionalisation through repeated, collective actions over time. To understand how a practice is institutionalised, it is essential to understand how individuals make sense of the events in their social context. Building upon the theories of sensemaking, enactment, social embeddedness and institutionalisation, a theoretical framework of entrepreneurship is developed in this chapter.

A discussion of individualist, environmentalist and social constructionist approaches of entrepreneurship was presented in the final part of this chapter. A social constructionist approach is proposed as the methodology of this thesis. It is believed that a social constructionist approach provides a bridge to both individualist and environmentalist approaches and is able to incorporate the contributions of the different approaches. The conceptual and theoretical framework that has been developed, therefore, provides a useful tool for understanding entrepreneurship under different social contexts. A review of the relevant literature has shown that the notion of sensemaking and enactment is not directly addressed in the Chinese business literature, but they are implied to a certain extent. Therefore it is believed that the conceptual framework developed here would enhance our understanding of entrepreneurship in different Chinese subcultures.

In conclusion, this chapter has argued for the importance of an 'inside-looking-out' approach of entrepreneurship, which it is claimed is facilitated by a social constructionist view. The major contribution is that by focusing on how people make sense of and enact their environment in the process of entrepreneurship, the institutionalised meanings of entrepreneurship can be identified. The next task is to investigate how people make sense of and enact their environment in constructing the meanings of entrepreneurship. It provides a means to explore how different factors are associated and related to entrepreneurship and how they interact with each other. What is now required is to enrich the methodological framework of this thesis. In the following chapter, in-depth discussion of the methodological issues will be presented.

CHAPTER 4
RESEARCHING CHINESE ENTREPRENEURSHIP

In the previous chapter a conceptual framework drawing upon institutionalisation theory, social embeddedness, sensemaking and enactment has been developed. This conceptual framework is important for advancing understanding of entrepreneurship in Chinese contexts.   A further discussion of social constructionist ideas is now presented and taken forward into a methodological framework for this thesis. In the last chapter, an 'inside-looking-out' approach was presented as a means of understanding how individuals make sense and enact their environments. It is important therefore, to select a research methodology that is conducive to explaining how individuals make sense of and enact their environment when constructing the understanding of entrepreneurship.

4.1 Social constructionist research process

A social constructionist view does not assume that there is a reality 'out there', waiting for the researcher to access and collect information from. Nor does it see social reality as resulting from individuals' perceptions and interpretations. Instead, the central idea is that reality is constructed through ongoing sensemaking and enactment activities which occur in processes of social interaction. Shared meaning then becomes aligned through repeated actions. The application of social constructionist ideas has several methodological implications.   Each of these aspects will be discussed in the following sections.

In social research there is a long tradition which makes the assumptions that the researcher is separate from the research. The assumption is that what appears or is presented as data and facts, is the unequivocal imprints of 'reality' (Alvesson & Skoldberg, 2000). In recent decades this realist view of social research has been criticised by many scholars from different disciplines (Agar, 1987; Gergen & Gergen, 1991; Watson, 2000b).   First, it has been long debated that the researcher's personal history has a significant impact on social research (Devereaux, 1967). Scholars argue that the researcher cannot be independent from the research because of their cultural background and past experience. This problem becomes more interesting when researchers are of different cultures

(Adler, 1983; Agar, 1987). Also, as Alvesson and Skoldberg (2000) argue, data and facts are the constructions or results of interpretation, therefore interpretation-free, theory-neutral facts do not, in principle, exist (p.1). 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) In short, researcher plays a key role in shaping the research project.

Alvesson and Skoldberg's (2000) argument is consistent and coherent with the social constructionist view presented in this thesis. They have provided a good definition of the research process. According to them, it "constitutes 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). Scholars holding the social constructionist view have taken forward the work of Berger and Luckmann (1967) and emphasised different features of social constructionism in their studies (Gergen & Gergen, 1991; Burr, 1995; Dachler & Hosking, 1995; Fletcher, 1997; Gergen, 1999; Alvesson & Skoldberg, 2000; Fletcher, 2004).

Social constructionist ideas put the researcher at the centre of the research process because they are involved not only in the "active processes of interpretation and representation of reality."(Cazal & Inns, 1998 p.178) but in every stage of the research, from getting access to subjects, to data collection and presenting arguments (Usunier, 1998). In this way researchers are not merely 'reporters of facts' but rather they are like 'craft workers' who create identifiable works (Watson, 1994).

A review of social constructionist studies has identified one common drawback. There are a significant amount of researchers claiming they are holding a social constructionist view. In the earlier part of their studies these social constructionist

researchers made the effort to emphasise the ontological and epistemological assumptions of their conceptual framework to support their view. However, in what follows they failed to show consistent and coherent arguments. The most common phenomenon is the 'disappearance' of the researcher in the later part of their studies, further, they tend to present 'objective' data to support their arguments. In other words, a major drawback of some research adopting a social constructionist approach is that these social constructionist ideas are presented only in their conceptual frameworks and are not consistent with their methodological frameworks. Alvesson and Skoldberg present an appropriate criticism: "Referring to philosophical ideas without really using them is pointless, bewildering and means a waste of the time and energy both of the researcher and of his or her unfortunate readers"(p.7). It is necessary, therefore, to make explicit the impact of social constructionist ideas on the research process.

4.2 Ethnographic research

Emphasising social constructionist ideas highlights the importance of ethnography to this thesis. Agar (1987) noted that the social research style that emphasises encountering 'alien' worlds and making sense of them is called ethnography. Schwartzman (1993), on the other hand, argues that one of the defining characteristics of ethnographic research is that the researcher "goes into the field to learn about a culture from the inside out"(p.3-4). Basically ethnography research requires the researcher to "examine the cultural knowledge, behaviour, and artifacts that participants share and use to interpret their experiences in a group"(Spradley, 1980). Furthermore, it requires researchers to "examine the taken for granted, ideas and practices that influence the way lives are lived, and constructed in an organisational context" (Schwartzman, 1993 p.4). In other words, ethnography requires the researcher to examine what people say and what people do from their point of view. As discussed in the previous chapter, this thesis aims to understand how individuals make sense and enact their environments in constructing understanding of entrepreneurship. Therefore examining social phenomenon from the subjects' point of view enhances the potential for achieving the research objective.

Watson (2000b) suggested that ethnographic research is both fiction and science like. He reminds us that the major characteristic and objective of ethnographic research is that it has a "criterion of validity against which it can be judged: its relative 'truthfulness' can be assessed in terms of a pragmatist conception of truth. One story is truer than another to the extent to which it more effectively guides practice in that or a similar setting." and the major contribution is that "it informs practice and educates: a reader will be more 'knowing' about the area of social life after reading the ethnography than before reading it and is thus in a better position to act effectively in that context"(p.524). Watson's arguments highlight the importance of the researcher's understanding of the culture and the ability to interpret his/her understanding to the readers. Many researchers do this through participant observation.

Ethnography is a research method that relies on first-hand observations made by a researcher immersed over an extended period of time in a culture, with which he/she is unfamiliar (Agar, 1987; Atkinson & Hammersley, 1994). Ethnographers observe everyday events, settings, interactions, conversations and uses of objects over time and across specific cases (Jorgensen, 1989). The task of the ethnographer, is to closely observe, record, and engage in the daily life of another culture, and then write about it in descriptive detail (Marcus & Fischer, 1986). Because of this, some researchers emphasise that participant observation is one of the key characteristics of ethnographic research (Arnould & Wallendorf, 1994). The rationale behind this is that over time researchers are able to suspend their own frames of reference and allow themselves to be led by the social setting to new and unexpected insights (Schultze, 2000). Also, it is believed that participant observers become insiders over time, they are granted access to "backstage" areas (Goffman, 1959). As a result, over time the researcher is able to understand how the native makes sense of events. Another reason supporting participant observation is that 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). Agar (1987) describes the research process as a "movement from breakdowns of established understandings and taken-for granted assumptions, through a resolution of such breakdowns, to the

construction of a coherent narrative"(p.23). In short, the main objective of using participant observation is to enhance the researcher's understanding of a different culture and finally become an insider so that he/she sees things from the native's point of view.

A number of limitations can be identified by looking at the rationale behind participant observation. First, there is a lack of support that ethnographers can become an 'insider' after spending a period of time in the field. Second, ethnographic research requires the researcher to go to the field to learn about a different culture inside out. It assumes that there is another 'culture' out there, like a dyeing pond full of coloured liquid that the researcher can 'get in there' and 'immerse' himself/herself and then can become 'dyed' like a native. He/she is then able to make sense of a different culture from the native's point of view and put aside his/her own cultural background. A researchers taking this view sees culture, meanings, social values as things 'out there' to be acquired regardless of the outsiders' characteristics and cultural background.

Recent ethnographic studies, however, presume that meanings are not 'given' but are actively constructed by participants through interaction and negotiation (Cazal & Inns, 1998). It is argued that 'native points of view' cannot be considered 'plums hanging from trees, needing only to be plucked by fieldworkers and passed onto consumers' (Van Maanen, 1988). This is consistent with the social constructionist view which argues that reality is socially constructed and human beings are a social product (Berger & Luckmann, 1967). In other words, cultural values, customs and meanings are socially constructed through individuals' ongoing sensemaking processes and social interaction. They do not exist 'out there' but are created by individuals through interaction and exchange processes. 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.

Watson (2000b) reminds us that "the human observer must use the language of the culture of which they are a part, both to make sense of what is before them and to

talk about it. This means that they inevitably talk or write about a reality which is their own construction"(p.525). In other words, the researcher makes sense of the different culture based on their socially constructed reality. Spending an extended amount of time in a different culture does not necessarily make them enhance their understanding of the culture and tell a 'truer story'. After spending a long period of time in the field researchers are likely to be more familiar with the language and behaviour of the natives. This language and information thus forms the 'data' of the research, However, the interpretation of these observed 'data' are still based on the researcher's frame of reference (Adler, 1983; Usunier, 1998), which is socially constructed and a product of the researcher's past experience, cultural background and personal history. In other words, the past experience and rationale behind the language and behaviour of the 'native' has given way to the researcher's. In short, the story that is presented by the ethnographer claiming the native's point of view, is in fact the researcher's interpretation of the native's point of view, and this interpretation is based on the researcher's own frame of reference, and his/her own cultural background and prior knowledge. As a consequence, as argued by Alvesson & Skoldberg (2000), is that the research is 'interpretation of interpretation', and not necessarily from the native's point of view.

Therefore, this thesis argues for an ethnographic style research but not based on participant observation by a non-native researcher. Instead, it is believed that the researcher as a native of the Chinese culture being studied, can enhance understanding of a culture from the inside out. This has several advantages. First, a lot less time is required for the researcher to get familiar with the culture, as no time-consuming participant observation is required. Second, as the researcher and the informants share the same culture they are most likely to have an overlapping frame of reference. This could lead to a more efficient and effective way of explaining, understanding and interpretating the meanings that are constructed during the fieldwork. What is distinctive is that the accounts presented by the researcher are from the native's point of view and as such achieve the ultimate objective of ethnographic research.

One of the advantages of ethnographic research is that by studying a different culture the researcher is able to identify the taken for granted assumptions of the native. The assumption underlying this argument is that the ethnographer's embedded cultural background enable them to identify the differences between cultures, especially the taken for granted aspects of the foreign culture. However, one potential drawback for the ethnographer being a native is that he/she is unable to identify the taken for granted aspects of his/her own culture. This drawback is emphasised in Alvesson & Skoldberg's (2000) discussion of the reflexive approach "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). Although studies have emphasised reflexive awareness in the research process, it is important to emphasise that the researcher may have certain blind spots as a result of his/her cultural background. However, this drawback is shared by many ethnographic researches because no two cultures are identical, nor are two cultures totally different (Hofstede, 1980). Culture and subcultures are overlapping to different extents. Therefore, it is a possible drawback for all ethnographic research that the researchers are not necessarily able to identify the taken-for-granted assumptions in a different culture, especially when the ethnographer's culture is similar to the culture that he/she studied.

To tackle this drawback, it is suggested that a confessional account of ethnographic research is important here (Van Maanen, 1988). It draw attention to the ethnographer's experience of doing fieldwork by giving a self-reflexive and self-revealing account of the research process (Schultze, 2000). It presents the ethnographer's role as a research instrument and exposes the ethnographer rendering his/her actions, failings, motivations and assumptions open to public scrutiny and critique. By revealing themselves in their confessional writings, ethnographers put themselves on a par with their "subjects" who typically feel exposed and criticised by ethnographic texts (Whyte, 1996). By focusing on specific topics, the meanings of entrepreneurship are explored through in-depth discussion and ongoing interaction with the informants. As a result, the taken-for-granted aspects of entrepreneurship can be constructed and clarified by the

researcher through ongoing self-reflexivity. The findings can then be presented to the reader.

It is argued in this thesis that an ethnographic approach supported by a social constructionist methodology is distinctive for understanding the entrepreneurship process. It is, therefore, necessary to discuss different aspects of the methodological framework of this thesis. In what follows, the level and unit of analysis and the researcher's role in the research process will be discussed.

4.2.1 Level of Analysis

A review of the entrepreneurship literature has helped to identify that the majority of studies have focused on either one or two levels of analysis. That is, the individual or environment. The psychological perspectives mainly focus on individuals, the personality trait, personal characteristics etc. The social/cultural perspectives and organisational ecologist approaches tend to focus on the micro environment and their influence on entrepreneurship, that is, the social group, social values, network and culture of entrepreneurs, while economic and population ecologists mainly focus on the macro environment. The major drawback, as discussed in the previous chapters, is the lack of analysis on how one level links to the other. Although the institutional studies have been emphasising a multilevel analysis and interaction between one level and the other, there is a lack of attention to individuals and the different levels of environmental factors. This, as Granovetter (1985) points out, is that atomisation has not been eliminated, only transferred to a different level of analysis. In light of this, a multilevel analysis is argued for. Instead of focusing on a specific level from an 'outside looking in' perspective, a multilevel 'inside looking out' perspective is adopted. There are studies, especially institutional studies that have adopted multilevel analysis (Redding, 1990; Hodder, 1994). What is distinctive of the approach adopted here is that it is taking an inside looking out, multilevel analysis. What this means is that rather than the researcher arbitrarily determining which level of environmental factors is more important than the others or what factors are more important, the aim here is to examine how individuals talk about entrepreneurship so that themes/factors can be identified. The task then is to examine how and why these themes/factors help to shape the meanings of entrepreneurship in different

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social/cultural contexts. To achieve this, it is important to 'keep' individuals in the centre of the analysis because it's the actors who make it happen.

4.2.2 Unit of Analysis

A review of entrepreneurship studies has indicated that a significant amount of studies tend to use individual entrepreneurs as their unit of analysis. However, as discussed in chapter 3, individuals are embedded in their social relations, it is through their daily social interaction and individuals' sensemaking process that reality is created. In other words, individuals cannot be isolated from their social relations in an absolute sense. To understand how individuals make sense and interact with their social relations, it is essential to include their social relations in the study. Because of this, the network as a unit of analysis is argued for as it allows an exploration of the construction of meanings arising from social interactions and exchange (Anderson & Jack, 2002).

Building upon the social constructionist view of network discussed in chapter 3, it is argued that a network approach can shed new light in understanding how meanings of entrepreneurship are constructed in different Chinese subcultures. A network is defined as a group of people with whom individuals interact with through daily life. Although some studies have tried to distinguish personal networks from business networks. Many studies have showed that different kinds of networks can easily be overlapped. Therefore the effort to distinguish them has been unhelpful. Boissevain's (1974) definition of network "The social relations in which every individual is embedded may be viewed as a network" (p.24) is adopted in this thesis. A network, therefore, is seen as a group of people, including an individual's family, friends, relatives, employer/employee, competitors, customers and other social relations. It must be emphasised that networks are interwoven and that one cannot put a boundary between them. As a result, although this study uses network as the main unit of analysis, it is unfeasible to include all the members in the network. The two networks that are presented in this thesis, therefore, are constructed through the social interaction between the author and the key informants.

Table 4.1 summarises the features of social constructionist research.

Table 4.1 Social constructionist view of entrepreneurship

Features	Social Constructionism
Ontological assumptions (Ideas of the world)	Social Constructionist
Epistemological assumptions (How knowledge is created)	Social interaction through language, shared meanings and understanding, collective and repeated actions
Focus	Conversation, coordination, interaction and aligned meanings between individuals
Research perspective	Inside looking out
Level of analysis	Multilevel analysis from individual's perspective
Unit of analysis	Network, social groups
Researcher's role	Active, inseparable from the research.
Research feature	▪ Relational ▪ Interpretive awareness ▪ Non representationalist view of social reality ▪ Socially and culturally embedded ▪ Reflexive
Research method	▪ Ethnographic interview ▪ Observation ▪ Discourse analysis ▪ Interpretive approach

Source: Based and modified from Fletcher (2003) Considering the Research Process from a Social Constructionist Methodological Stance: Some thoughts and reflections. Unpublished work

4.2.3   Researcher, Research and Reflexivity

In the last chapter, the discussion of the sensemaking and enactment concepts provides a strong stance in conceptualising entrepreneurship. This thesis argues that sensemaking 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 this forward, the individual researcher is also a member of society and therefore is one who continuously makes sense and enacts his/her reality. Therefore this research project goes beyond the study of how people make sense of their environments. There are different levels of sensemaking, the first level being the researcher making sense of the research project and the second level being making sense of the sensemaking process of the subjects in the entrepreneurial process. Another level of sensemaking is that readers try to make sense of this thesis. However, this level is beyond the scope of this thesis and so this thesis will focus on the first two levels.

Social constructionism has been taken forward by scholars in different aspects including both conceptual and methodological issues. In methodological issues, Gergen & Gergen's (1991) and Alvesson & Skoldberg's "reflexive perspective" and Hosking & Dachler (1995) and Gergen's (1999) "relational perspective" have made a major contribution in this area. In Gergen & Gergen's (1991) reflexive methodology, they have emphasised the importance of self-reflexivity in research. This has been taken forward by Alvesson and Skoldberg (2000) who emphasised that reflexive research has two basic characteristics: careful interpretation and reflection. According to them, all references to empirical data are the results of interpretation, the second element, reflection, turns attention 'inwards' towards the person of the researcher.

In a research process, the self identity of the researcher is important in shaping the research because it provides the 'ground' for the researchers to make sense of the research, no matter how 'objective' the researchers are trying to present their data. The researchers' family and education background, as well as their past experiences, have played a role in shaping their self-identity. In addition, the social relations that they are embedded in also play a key role in continuously shaping their self-identity. This continuous reshaping of self-identity in turn shape and reshape the focus, interest of research, interpretation and analysis of data of the research works. At the same time, the progress and findings of the research works in turn helps to reshape the researchers' self-identity reciprocally. In short, all the factors are interrelated, interwoven and continuously reshaping each other. The researcher, therefore, is not separate from the research but is actively making sense and enacting the research through ongoing self-reflection.

The task of the researcher, therefore, is to investigate how people make sense of and enact their environment in constructing the meanings of entrepreneurship in different Chinese subcultures. What is needed therefore is to enrich the analytical tools for this. It is believed that discourse analysis has the potential to bridge the gap.

4.3 Discourse Analysis

Gartner (1993) points out the importance of words in understanding the process of entrepreneurship - "the words we use to talk about entrepreneurship influence our ability to think about this phenomenon, and subsequent to these thoughts, direct our actions towards research that might be conducted on this topic."(p.231). This is support by Fletcher (2004) who has connected language and entrepreneurship and argues that: "language is the means through which we make sense, create, negotiate and align meanings/understandings associated with entrepreneurship"(p.1) This highlights the importance of language and discourse in constructing and interpreting meanings associated with entrepreneurship.

Gergen and Gergen (1991) emphasise the importance of language (of research) is "not on the individual mind but on the meanings generated by people as they collectively generate descriptions and explanations are created through language"(p.78). It is argued that language and reality are an 'integrated life world' through which people engage, interpret, construct, enact, make sense and modify meanings (Wittengenstein, 1953). Language therefore is essential for illustrating the complex and tentative web of meanings upon which social interactions takes place. It is also through language that collective meanings are enacted and created (Dachler & Hosking, 1995).

The term 'discourse' is defined in different ways. A narrow view confines it to language and text. Grant, Keenoy & Oswick (1998) summarised such a definition as 'spoken language', a 'combination of both spoken and written text"(p.3). Organisation theorists increasingly treat discourse as a mode of thinking and a tool for action. This way of conceptualising discourse, as Grant, Keenoy & Oswick (1998) observe, directly implicates discourse in the social construction of reality. "Everyday attitudes and behaviour, along with our perceptions of what we believe to be reality, are shaped and influenced by the discursive practices and interactions we engage in and are exposed or subjected to (Berger & Luckmann, 1967 p.2). In other words, discursive practices 'do not just describe things; they do things. And being active they have social and political implications'(Potter & Wetherell, 1987 p.6). This is echoed by Watson's (2000a) assertion that discourses 'have a purpose'. They do not just report what people think. Because

of this, discourse is not confined to language or text but 'is an instance of discursive practice, and an instance of social practice' (Fairclough, 1992).

Discourse analysis therefore provides a means for researchers to study how people make sense of events. Consequently, discourse analysis requires: "examination of the language in use (text dimension); identification of textual production and interpretation (discursive practice dimension); and consideration of institutional and organisational factors surrounding the discursive event and how they might shape the discourse(s) in question (social practice dimension)" (Grant, Keenoy, & Oswick, 1998 p.3 following Fairclough). Similarly, van Dijk (1997) argues that "analysis of the form and content of the text in use (language use); an appreciation of the ways in which people use language in order to communicate ideas and beliefs (communication of beliefs); and an examination of the social event by which communication takes place (interaction in social situations) (Grant, Keenoy, & Oswick, 1998 p.3). 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 is crucial for people to make sense of their worlds, in the same token, language provides a resource for researchers to understand how people make sense of their environment. By focusing on the language individuals use in constructing meanings of entrepreneurship, this thesis aims to explore the shared meanings and assumptions underlying the language used and the reasons behind it.

A discussion of language also draw attention to the importance of language in cross-cultural research, this will be discussed in the following section.

4.4 Cross-cultural research, language and translation
As a consequence of ethnographic research undertaken, this thesis can be seen as cross-cultural research. There are many different forms of cross-cultural research. Brislin (1976) defines cross-cultural research as "empirical studies carried out among members of various cultural groups who have had different experiences that lead to predictable and significant difference in behaviour"(p.215). Furthermore, Usunier (1998) suggests that studies identify similarities and differences in organisations and management across cultures are defined as cross-

cultural research. In this project, the researcher needs to conduct fieldwork in her native language and is required to present the fieldwork data and analysis in a second language. Therefore it can be argued that this research is cross-cultural research. One major advantage of cross-cultural studies is that insightful findings can be yielded from the point of view of the native. However, one major issue in cross-cultural research is language barriers (Brislin, 1976).

Language plays a key role in cross-cultural management research in different aspects. Language differences may be seen simply as a major impediment for implementing research. Informants may not speak the researcher's language, or the researcher may not speak the informants' language, therefore translation may be required. However, the influence of language goes much beyond this. Usunier (1998) points out that "language is a significant component of culture, and conveys meanings which may be unique to a cultural community. Moreover, our native language frames our way of looking at real world phenomena and interpreting them."(p.31).

One of the major issues in this present research, as Usunier (1998) argues in his work, is that the researchers who are non-native English-speakers, although they seem to have a good command of English, still hold the kind of world view shaped by their native language. They may be somewhat misleading for their opposite numbers, looking quite the same, while being fairly different. In addition to their different mindset, they may be more proficient in oral than written communication, which may cause problems in discussing the written details of research or when writing for publication (p.60). Koza and Thoenig (1995) points out that the dominant research culture lead by USA researchers have given rise to a phenomenon that literatures published in English are considered to be more superior to others, at the same time, English is considered as the only 'acceptable' research language. As a consequence, researchers from different cultures are expected to publish their work in English so that their contribution could be recognised. Furthermore, non-native English speakers are expected to present their work in the same language standard as their English speaking counterparts. Usunier criticised this ethnocentric view of research and point out that this is naïve to assume easy interpretation of a culture to a different language. Also it is

believed that ethnocentrism may lead to disinterest and even contempt for the culture of other groups (Levine & Campbell, 1972).

The argument above highlights the translation problems in a cross-cultural study. Usunier (1998) points out that researchers in international management research must be a cultural translator, that is, transfer meanings across cultures. Ideally in the process of translation, equivalent meanings can be found in a different language so that meanings can be communicated from one culture to the other. However, a major problem is that languages are embedded in cultures. Translation from one language to the other involves the translation of expressions such as idioms or metaphors which are natural to native speakers and are most often non-equivalent in another language (Lazer, Shoji, & Hiroshi, 1985; Schneider-Lenne, 1993). Sapir (1929) points out that language is not merely labels of the same world: "The fact of the matter is that the real world is to a large extent unconsciously built up on the language habits of the group. No two languages are ever sufficiently similar as to be considered as representing the same social reality. The worlds in which different societies live are distinct worlds not merely the same world with different labels attached"(p.214). Language, therefore provides the speaker with a particular world view (Faucheux, 1976). Because of this, Fisher (1988) criticises studies trying to achieve 'technical excellence' by trying to find the nearest meanings equivalent to target language as ignoring the valuable insights of the research. Usunier (1998) reminds us take into account of the difference between languages rather than trying to achieve the translation equivalent.

> "The meaning of words and expressions informs us about differences, whereas translation tries to find a similar meaning across languages, or in some way to rebuild it. When translation fails to establish meaning equivalence, we are in front of something unique, worth being understood. That is why it is worth exploring why a given utterance does not translate well and it may be dangerous to hide it by 'technical excellence'".(p.144)

To tackle the language barrier, researchers have adopted different techniques such as back translation, parallel translation and mixed translation (see Usunier, 1998

for overview). Usunier (1998) reminds us that the objective of translation is that 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). As the researcher of this thesis is a native Chinese speaker, the advantage is that valuable insights can be gained through the in-depth interviews with the informants. Also she is able to present the fieldwork data from the native's point of view. However, the difficulty is to convey the meanings from one language to the other. Therefore it is essential to have the involvement of native speakers from the target language in the projects when dealing with translations.

In order to deal with the language translation problem, all the analysis chapters which included the dialogues of informants are translated and transcribed by the researcher, these are then read by native English speakers. Their understanding of the dialogue is then counter checked by the researcher. By doing this, it has the advantage of the back-translation technique suggested by Campbell and Werner (1970). In addition, many Chinese words are kept in their original forms, in order to recognise culturally unique concepts in the native language (Usunier, 1998). The translation and explanation of these expressions are also counterchecked with native English speakers to ensure they are understandable and are able to convey the meanings in Chinese. It is expected that this could provide more valuable insights of the cultural and institutional backgrounds of the expressions. Furthermore, a glossary which includes the Chinese words, English translation and explanations is provided in Appendix I to provide the readers a more detailed explanations and contexts of the Chinese expressions that are used in this thesis.

4.5 Ethnographic interviews, tape-recording and data gathering

The main research method used was topic-oriented unstructured interviewing with the aid of observation. Unstructured interviews have received considerable renewed interest, both as a part of ethnographic work and as a stand-alone data collection strategy to accomplish goals other than those of ethnography (Arnould & Wallendorf, 1994). Unstructured interviews typically involve informants participating in a conversation with a researcher, guided by general rather than

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highly specific topics. In ethnographic research, typically ethnographers design and define topics but allow informants to provide interview content (Denzin, 1989; Fetterman, 1989). Because unstructured interviews are used 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, 1989). The researcher's task in an unstructured interview is to use various probes in a way that builds a conversation-like dialogue, rather than asking questions that impose categorical frameworks on informants' understanding and experiences (Arnould & Wallendorf, 1994). The main task of the researcher, therefore, is to explore how informants talk about new venture creation in different Chinese subcultures. This is done on purpose rather than arbitrarily predetermining what factors are more important than others. As a consequence during the first phase of the fieldwork, key themes began to emerge. The key themes then led the researcher to revisit relevant literature and reshape the conceptual framework accordingly. This, in turn, informed the self-reflexive characteristics of ethnographic research (Schultze, 2000).

Tape-Recording & Data Gathering

Once I decided which company to carry out my fieldwork with, I spent a considerable amount of time talking with people. These included the business owners, their families, employees, customers, competitors and suppliers. From the fieldwork experience I realised that people were not comfortable when I visited them and sat down with a pen and paper. They thought that I was doing something 'formal' and could relate it to 'giving legal evidence', and that made them speak cautiously, if not nervously. This is supported by Cicourel (1982) who pointed out that field setting such as pen and paper could lead to the problem of 'ecological validity' that the daily life condition, opinions, values, attitudes and knowledge base of the subjects may not be captured (p.15). To avoid this, I did not try to 'interview' them. I deliberately used the words 'have a chat' when I wanted to talk to them. Also, I found it useful to emphasise 'there's nothing formal, just a quick chat'. A consequence of this was I found it problematic to tape record all the conversations I had with informants.

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Tape recording for data recording have been widely used in qualitative interviewing (Gunter Kohnken, Thurer, & Zoberbier, 1994; Rosenblatt, 2001; Warren *et al.*, 2003). Several advantages of using a tape recorder include: technical efficiency as a data-gathering device, ease and simplicity of use, low per interview cost, and acceptability to respondents (Fasick, 1978). Belson (1967) also pointed out that another advantage of using tape recording is for the systematic recording of replies in the more open or intensive kind of interview, also it provide an effective means of recording interviews verbatim (Fasick, 1978). Furthermore, as argued by Heritage (1984), "the use of (tape) recorded data is an essential corrective to the limitations of intuition and recollection. In enabling repeated and detailed examination of the events of interaction, the use of recordings extends the range and precision of the observations which can be made."(p.238)

Despite the advantage of using tape-recording in interviews, its disadvantage should also be considered. Apart from the issue that transcribing tape-recorded intervews is costly, time-consuming, and difficult (Gorden, 1975). Using tape recording also raise the issue of the 'ecological validity' (Cicourel, 1982). This is supported by my fieldwork experience. In one of the early interviews I had with a Hong Kong informant, when I turned the tape recorder on, he spoke to me in Cantonese (a dialect that is commonly used in Hong Kong), when I turned the machine off, he spoke to me in our home dialect, Fujianese (dialect of South Fujian Province, South China). My experience is supported by Belson's (1967) early study which points out that the "tape recorder can hardly be used in the highly personal or semi-confessional type of interview because people in that situation may well be expected to suppress information or to give respectable replies or simply to refuse to take part. But even with more ordinary issues, there is the possibility of adverse reaction of some kind minor fears, wariness, formality"(p.253).

On reflection, I understand that by using a tape recorder it conveys a meaning of doing something 'official', 'formal'. Therefore, the informants found it necessary to 'do it the right way' and 'speak the right language'. For the informant that I mentioned earlier, his native language is Fujianese, Cantonese is his second

language, but in order to 'speak the formal language' and 'say the right things', he spoke to me in Cantonese, in which he is not very fluent and cannot speak naturally. This had affected the way he expressed himself. By the same token, this will inevitably influence the content of the conversation. May (2001) raises the issue that some people may find the tape recorder inhibiting and not wish their conversations to be recorded (p.137). This is echoed by Kvale (1996) who pointed out that "once the tape recorder is turned off the interviewee may bring up topics he or she did not feel safe raising with the tape recorder turned on." Kvale's argument is confirmed from my experience, when I was using the tape recorder, the informants talked about some issues such as taxation and government policy but in a way that was more aligned to 'saying the right things' than what he actually thought. Things such as 'of course I'll try my best to contribute to the society, ... paying tax is our responsibility...'. However, when I turned off the machine and we were speaking in our native language, we talked about most of the issues that we had covered in the interview but in a very different tone and with very different content.

Given the advantage and disadvantages of using tape recorder, I faced a dilemma whether or not to use tape recorder for my fieldwork. As the objective of my research fieldwork is to get in-depth data from the native's point of view it is essential to talk to them in their 'native language' in order to understand 'how, why and what they feel' (Schwartzman, 1993). In order to obtain this level of fieldwork data, I needed to adopt a different data gathering strategy. Spradley (1979) listed an example of 'normal' ethnographic record in his ethnographic research: field notes, tape recordings, pictures, artifacts, and anything else which documents the cultural scene under study. He also emphasised the importance of not tape recording in some of the interviews but keeping the tape recorder with him in the field. A major part of the fieldwork data, therefore, is the fieldwork notes he kept from his observation and interaction with the informants. Spradley's data recording approach is adopted in this project. I understand that I cannot use a tape recorder for all the interviews. Therefore, I used a tape recorder in some of the interviews but not in others. For some of the less sensitive issues which, from my own experience, I understand that it would not make much different to use a tape recorder, I would asked the informants' permission and tape

recorded our conversation. However, for some issues which are considered more sensitive, I found it necessary not to use a tape recorder. My experience in realising the issue of tape-recording has further reinforced the reflexivity of this research project (Gergen & Gergen, 1991). In the interviews where the tape recorder was not used, once I finished the 'chat' with the informants, I would write it down as soon as possible in a notebook that I kept with me throughout my fieldwork. It was especially important to write down the metaphors or expressions informants used during the interviews (Alvesson, 1993; Cazal & Inns, 1998). In addition, when I went home, the first thing I did was to type up everything I could remember into a computer. This information then formed an important part of my fieldwork material.

Having adopted a different data collection strategy. The fieldwork data included tape-recording and fieldwork notes. Attention is paid in presenting the fieldwork data in order not to mislead the readers. In the analysis chapter all direct quotation were extracted from the tape-recorded interviews. Quotation that were remembered were indicated in the chapter or rephrased accordingly.

4.6 Project evolution

Initially the research was aimed at exploring the reasons that give rise to new venture creation in a Chinese context. In undertaking the fieldwork the objectives of the research remain consistent with the initial plan but the focus and approach changed considerably. First, the original plan was to investigate how different factors influence individuals to start up their business. Therefore the questions asked were focused on sources of capital, human resources, opportunity, risk, state policy etc. However, the search for the 'right factors' has not been helpful in advancing understanding of entrepreneurship. There was no new insights arising from the initial interviews in terms of factor searching. Those 'entrepreneurial' factors have been well researched in the literature but yet failed to provide convincing explanations for Chinese entrepreneurship. However, after the initial fieldwork in Hong Kong, new insights were gained through conversations with the informants. One of the major issues is that there is something in common in the way people talk about 'running your own company' and 'being your own boss'.

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From my conversation with the interviewees a positive way of talking about 'running your own business' and 'being your own boss' can be identified. Also from the stories they told, quite a few of them claimed that they had decided to run their own business long before they began the existing companies. They had failed a few times in the past but they 'grasped' the right opportunity and came back. This gave a new insight: the 'death' of a business does not necessarily means the 'death' of entrepreneurship. Not only do the majority of the business founders have experiences of running and shutting down a business, some of the current employees have similar experiences and they express a goal to 'run their own business' one day. This has led me to a process view of entrepreneurship. What is important therefore is how individuals see entrepreneurship and how they make it happen. This led to a re-evaluation of the conceptual and methodological perspectives. Through my fieldwork it can be inferred that the shared meanings of entrepreneurship influence individuals' stated attitude and behaviours. This led me to visit the literature on sensemaking, enactment and institutionalisation. In addition, from the accounts, I realised that people draw heavily upon their past experiences and their social relations when talking about entrepreneurship. Also their experiences in social gathering are mentioned too often to be ignored. In addition, they have showed a love-hate tension between their social relations.

These new insights led me to revisit the literature of social embeddedness and social constructionism. As such, my initial fieldwork has helped to move towards a social constructionist perspective of entrepreneurship. The distinctiveness of this perspective was the emphasis on the relationship between individuals and their social context and the shared meanings among social groups. An 'inside-looking-out' approach was adopted to understand how individuals make sense of and enact their environment to create new ventures. This approach does not assume that the factors such as 'opportunities' and 'capital' exist 'out there', waiting for individuals to seize. Nor does it assume that individuals possess certain personality traits or characteristics that enable them to 'grasp' the required opportunities and resources to start up their own business. On the other hand, it does not deny that there are certain factors such as capital, human resource and opportunity that play a key role in entrepreneurship. This approach aimed to

understand how individuals in different social groups made sense of and enacted these factors in the process of new venture creation.

4.7 Gaining access

This project evolved over three years. There are changes as a result of fieldwork, literature review and personal experience. My initial interview targets were business founders in Hong Kong, Singapore and Shanghai. This target has changed over the years in different aspects. First, in conceptualising entrepreneurship it is believed that entrepreneurs are embedded in their social relations. Therefore it become inappropriate to focus my study on entrepreneurs alone. Because of this, it was decided to include entrepreneurs and their social relations and use a network as unit of analysis. Second, the depth of analysis is underestimated at the initial stage of this project. Initially three Chinese subcultures (Hong Kong, Singapore and Shanghai) were considered to be the study base. However, as the project evolved over time, it has become more feasible to focus on two subcultures rather than three. In the last few years, there are many comparative studies that focus on Hong Kong and Singapore because of their similar economic environments and yet dramatic differences in political environment. It was decided to focus my study on Shanghai and Hong Kong because there are relatively few comparative studies on these two cities. It is generally believed that Hong Kong and Shanghai "share" the same "Chinese cultures" but under very different political and economic environments. In recent years the two cities are considered as 'closest competitors' in many aspects such as finance, banking, trade and human resources (Wong, 2002). Because of this, it can be expected that a comparative study based on the data from the two cities could yield insightful findings that would be of great interest to relevant parties.

There is another practical reason for choosing Shanghai rather than Singapore as my research base. This is due to my personal knowledge of Shanghai. I have some close relatives in Shanghai and visited the city for the first time when I was six years old. The place I used to stay was one of the many areas of residence in Shanghai and so I had plenty of opportunities to get to know local people. I have visited the city from time to time and have experienced how much it has changed over the years. In contrast I have only been to Singapore for a few times in the

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last few years. Although I do have some contacts in Singapore, my relationship with them is not as close as my informants in Shanghai. The nature of my research requires me to get rich information about the social context, therefore it is more practical to choose Shanghai over Singapore.

My target subjects are people who have created a new venture and their social relations. Because the nature of this research is characterised by 'taking on really rich empirical contexts' (Hirsch, Michaels, & Friedman, 1990), I need to get access to my target subjects through my personal contacts. From my own cultural background I know that people, especially Chinese, are not willing to let other people know too much about themselves unless they know who they are talking to very well, preferably through kinship or family connection. In order to achieve this, I got access to my target subjects through my family, my extended family as well as business networks. Hence, this indicates the reflexive nature of this research (Gergen, 1999; Alvesson & Skoldberg, 2000).

4.7.1 Hong Kong – Ho Yuen Network

The main focus of my network in Hong Kong is a company call Ho Yuen Computer Embroidery Factory. When I first started my project, I was thinking of studying a group of companies in Hong Kong, but as the main themes emerged it became more insightful to study a group of companies and people that are related to each other. There are several reasons of choosing Ho Yuen as the core subject. First, I have a close relationship with the owner of Ho Yuen since I visited the company from time to time since its establishment in 1989. My understanding of the company and its operation has made it easier for me to understand how they make sense of their environment. Also, as I am able to get access to Ho Yuen's related companies including competitors, suppliers and customers, Ho Yuen has become the core company in the network.

Ho Yuen's owner, Ching has been a good friend of my family. He's about the same age as my father and so I called him uncle. Ching has two sons but no daughter, he once asked my parents if he could be my 'godfather' (in a Chinese sense) but was refused by me, indirectly, so that he would not lose face. We have got along very well over the years. In 1998 before I came to England he and his

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wife paid a visit to my home and give me a 24K gold necklace as a present for my studying abroad. In 1999 I went back to Hong Kong for my research, during my stay in Hong Kong, I went to the wedding of Ching's eldest son.

During the wedding I talked about my fieldwork with Ching and he promised me right away that he would do whatever he could to help me, despite his emphasis that he is '*not good at speaking, don't know what to say*'. I understand that this is because of my attendance at their son's wedding because it 'gave them face'(see Section 8.4.1.2). Therefore he felt he needed to repay the *renqing* (favour, see Appendix I) that they owe me. We made an appointment for my first interview during the wedding banquet. We met in Ching's office a few days after. After the interview, I asked if it would be possible to meet his family and also some of the employees in his factory. Also I asked if he could introduce some of his clients and suppliers to me. I must emphasise that introducing clients to others is a very sensitive matter in Hong Kong. Business owners are very unwilling to disclose their customer information to protect their own business because they worry that once others know who their clients are, their clients would be stolen. Therefore, only the closest family member, trusted friends and some employees are allowed to know this 'sensitive information'. Had we not been so close I would not have asked him this information.

Ching promised to introduce some of his clients and suppliers, as well as some of his competitors to me and he did so in the following days. He called up a few of them and give me the details so that I could make appointments with them. While at the same time I visited Ching's factory and also had the chance to meet his family and relatives. As a result, Ho Yuen's network emerged and is shown in the Figure 4.1.

Before I choose Ho Yuen as the core company, I had other contacts to pursue. There was one introduced by one of my classmates in Hong Kong. However, after our first meeting I decided that the fieldwork could not go on because the owner was simply not willing to tell me anything. The nature of my fieldwork required me to go to the field and get as much information as I could about the owners and their network. With an owner who was reluctant to talk about

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anything, obviously my fieldwork could not carry on. Because of this, I decided to choose Ho Yuen as my subject in Hong Kong.

4.7.2 Shanghai – Chai Fen Network

When thinking about my fieldwork in Shanghai, what I first thought of was my relatives in the city. My father's eldest sister, my aunt and her husband have lived in Shanghai for over forty years. They are both retired now. Before he retired, my uncle was an experienced accountant and had contacts in many companies. My uncle and I enjoy each other's company and we have been in touch with each other through letters for many years. I first talked to him about my fieldwork in 2000 in one of the letters I wrote to them. My uncle promised to look for the right company.

The second source of contact was through a friend of mine, who did a Masters degree in law at Nottingham University. He is a lawyer and has many contacts in Shanghai. I talked about my fieldwork in Shanghai and he talked to his father, who is a senior lawyer in Shanghai. After a few weeks we met up for a meal and he told me that he had arranged two business owners for me to interview. Both of the companies had hired his father's law firm as their legal consultant. Another source of contact was through a MBA classmate of mine, who finished his MBA three years ago and went back to Shanghai to work for a multinational. I talked to him about my fieldwork and he introduced the owner of a company to me.

My first task in my fieldwork in Shanghai was to choose the company I would focus on. As I had decided that my unit of analysis would be a network rather than individual companies, it was important to get to know these potential subjects to see which network would be most appropriate. As I had already finished my first stage of fieldwork in Hong Kong, when I arrived in Shanghai, I deliberately tried to find a company that was comparable with the Hong Kong company, in terms of its background, size and organisational structure.

I was given a brief introduction to each of the Shanghai companies through my contacts. After the initial screening, I decided to meet all these companies for an initial meeting. The aim of this was two fold. First, as my contacts had been

trying hard to look for the right subjects for me and they had already told the potential subjects about this, if I did not go to meet these informants in person, I would have upset them and made them 'lose face'. Secondly, as different contacts tend to have different levels of knowledge about the potential subjects, I believed it was more appropriate to go to these companies and to have a better knowledge of the company by myself.

After initial meetings with the owners of these companies, I narrowed down my potential subjects to two companies. The main criterion for my decision was accessibility. Some of the owners were reluctant to talk about their business. This can be understood because their relationship with my contact was purely a business relationship for whom they were 'doing a favour'. Therefore, for them it was their duty to talk to me and once it was done, it's over. Another problem was that some owners were reluctant to let me meet people in their network. One of the informants, for example, refused my request to meet her husband and told me that he was out of town, while from another source I knew he was actually in the very office where I was meeting her.

I had my second meeting with the owners of the two remaining companies. In this second meeting, I had the opportunity to learn about the organisational structure and to meet other people in the same and related companies. In this case, a network of the companies started to emerge. From my analysis of the two companies, I selected Chai Fen Snack Group as my target subject in Shanghai because the network was more 'complete' as compared with another one 'Kan Hui Group'. With Chai Fen Snack Group, I was able to meet the owner's family, employees, suppliers, competitors and customers. While for Kan Hui Group I was only able to meet the owner's family and employees. It therefore became natural for me to prefer Chai Fen to Kan Hui as my interview subject in Shanghai. A diagram of the Shanghai Chai Fen Network is shown in Figure 4.2.

Figure 4.1 and 4.2 illustrate the two networks in Hong Kong and Shanghai. The shaped box in each of the diagram represents the core companies and the core persons of the two networks. The other people and companies in the networks are

either related to the companies or to the core person. Their relations that are illustrated are from the point of view of the core companies or the core person.

4.8 Fieldwork Summary

The fieldwork in Hong Kong lasted nearly three months in total. First I talked to Ching, the owner of the core company, Ho Yuen. After our first meeting, I was given the opportunity to go to the company whenever it was convenient and talk to the owners' family and employees. Because the company had its factory in China, I travelled to China to meet some of the owners' family members and employees. Through Ching's introduction, I was able to contact some of Ching's customers, suppliers and competitors. Ching contacted these companies and told them about my research. Some of them are unwilling to meet me, luckily there were quite a few who were willing to do so.

Figure 4.1 Hong Kong Ho Yuen Network

MING KEE FACTORY
Yin — Brother-in-law
Yee — Sister

LUCKYSTAR TRADING
Sheng — Brother-in-law
Wan — Sister

Hing — Sik's brother, Factory foreman
Fooklai — Sik's nephew, Salesman
Fookyim — Sik's nephew, Purchaser
Mang — Accounts clerk

DYNASTY GARMENT FACTORY
Tan — Founder
Lim — Founder
Chow — Purchasing manager

MIN HING GARMENT FACTORY
Kinfung — Founder
Kinwu — Founder
brothers

HO YUEN FACTORY
Ching — Founder
Husband & wife
Sik — Founder

Mei — Daughter-in-law
Siupo — Son
Daipo — Son
Ling — Daughter-in-law

Key client
Key supplier

SAKURA THREAD FACTORY
Lee — Founder
Chan — Founder
Husband & wife

Cuan — Sister-in-law
Leung — Brother
Zhong — Brother
Fong — Sister-in-law
Ying — Niece
Kit — Nephew
Caterer

REGENT TRADING
Li — founder
Dabin — founder
Nephew

FOOKSHUI CATERING
Ang — Cousin

Male informant

Female informant

Individual company

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Figure. 4.2 Shanghai Chai Fen Network

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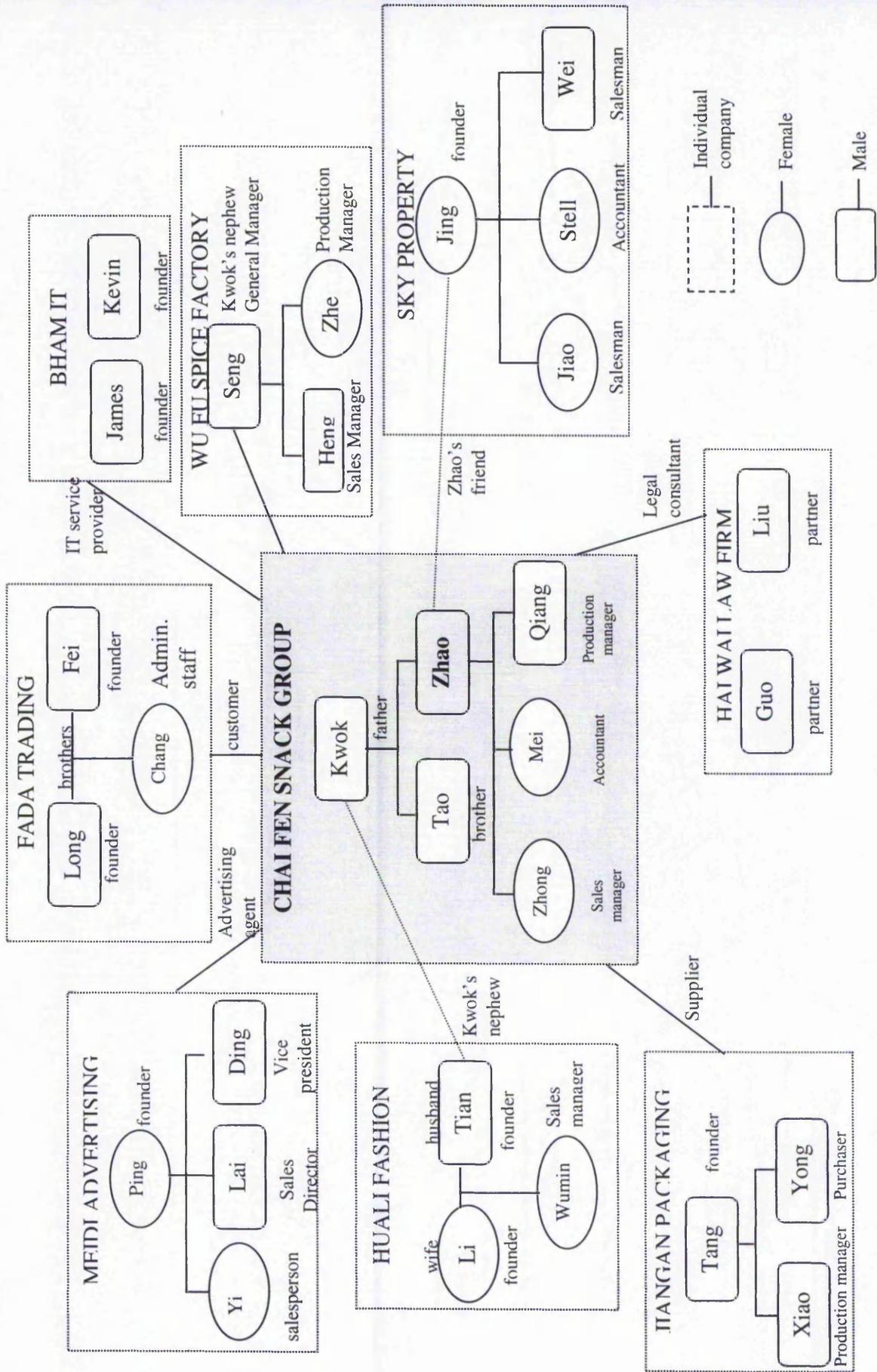
The fieldwork in Shanghai took two and a half months in total. When I first arrived Shanghai in 2001, I was received by my contacts in Shanghai. Having chosen Chai Fen as my core subject, I visited the company almost every working day in the first two weeks. The reason for this was to get a 'feeling' about the company and to get familiar with the company and the staff. Also I had asked Zhao, the founder of Chai Fen, to introduce some of the companies that he dealt with to me. These included the company's competitors, customers, suppliers and other related companies. In my second visit in 2002 I went to visit Chai Fen again and realised that there were significant structural changes and staff turnover during this intervening period. Likewise for Chai Fen's related companies. Therefore I needed to get myself familiar with the new setting so that I could construct an understanding of the changes.

My fieldwork in Hong Kong and Shanghai was carried out mainly in three trips to Hong Kong and two trips to Shanghai from the period of September 2000 to October 2002. The final stage of my fieldwork took place one and a half years after the previous fieldwork in 2001. During this intervening period I had kept in touch with informants and their related companies through email and phone calls. The main reason was to discuss issues that emerged with them. As I had already met them in person, I did not find it difficult to discuss the issues on the phone. In the final stage of the fieldwork in August 2002 I realised that there were lots of changes that happened in the informant companies and their related companies. Some of the family and employees had left while others had joined the companies. Some of the informants had set up new businesses while some others had shut down their businesses and were being employed. These changes had provided additional in-depth material for me to reshape my conceptual framework and undertake analysis.

Table 4.2 summarises the brief information of the fieldwork in the two cities.

Table 4.2 Summary of fieldwork material

	Hong Kong	Shanghai
Total number of visits	3	2
Total number of fieldwork phases (final phase through phone conversation)	4	3
Total number of companies	8	9
Total number of informants	30	29
Male informants	21	18
Female informants	9	11
Business founders/co-founders	17	14

The main rationale of having different stages of fieldwork was to obtain an in-depth understanding of the research topic and its emerging themes. After the first stage in the field, all the fieldwork material was translated, transcribed and analysed back in the UK. Key themes started to emerge from the analysis of the first stage of the fieldwork material, this led the researcher to revisit literature, reshape and redefine the conceptual and methodological framework. In addition, it helped the researcher to prepare for the next stage of the fieldwork. As a result of the reshaping and refining of the conceptual and methodological framework, the subsequent stage of fieldwork focused on how informants talked about the issues that emerged in the previous fieldwork. This again led to the emergence of sub-issues, and the process repeated itself until the researcher was satisfied that all the major issues were examined. What is distinctive about this approach is that the informants stay involved until all the fieldwork was finalised. Although the fieldwork was carried out mainly in visits to the two cities, in between there was a substantial amount of communications through phone calls, emails and fax which then formed part of the fieldwork material. The aim of this, was to keep the actors (informants) at the centre throughout the research.

4.9 Constructing ethnographic stories

The research themes that have emerged are organised and discussed in the following chapters. In chapter 5 and 6 the accounts of the two networks in Hong Kong and Shanghai will be presented respectively. Each chapter begins with a brief introduction of each network and the individual business owners. The key themes will be discussed in the following way:

First a discussion of how informants attach meanings to notions of entrepreneurship are presented. In particular how individuals talk about capital, knowledge, skills, market opportunities and risk will be explored and examined. Also, how individuals construct meanings of their family and network and how these shape the process of entrepreneurship will be presented. In discussing these accounts the intention is to explore the shared meanings in different Chinese communities.

In chapter 7 and chapter 8 a comparison of the findings in the two networks will be presented. Drawing upon the theories of sensemaking, enactment and institutional theories, the similarities and differences between the two networks will be analysed. In chapter 9, an assessment of the relevance, usefulness and generalisability of the methodological and conceptualisation of new venture creation will be discussed.

CHAPTER 5 HONG KONG - HO YUEN NETWORK

In this chapter, a general overview of Hong Kong will first be presented. It will then be followed by a brief introduction of the informant network that includes the core informants and their social relations. In the second part of this chapter, the different issues of entrepreneurship will then be presented.

5.1. General Overview – Hong Kong

Hong Kong (香港), which literally means 'fragrance harbour', is located to the Southeast of Mainland China, adjoining the province of Guangdong. Hong Kong became a Special Administrative Region of the People's Republic of China on 1st July, 1997, after a century and a half of British administration. Under Hong Kong's constitutional document, the Basic Law, the existing economic, legal and social system will be maintained for 50 years. Hong Kong enjoys a high degree of autonomy except in defence and foreign affairs.

Hong Kong has an area of 1,099 square kilometres and had a population of about 6.8 million in mid-2002. Over 95% of its population is ethnic Chinese who are mainly immigrants from Mainland China after the Second World War. Despite its small size, Hong Kong was ranked the 9th largest trading economy in the world in 2002. During the period of 1991 to 2001, the GDP grew at an average annual rate of about four per cent in real terms, to HK$1,297 (117.9 GBP) billion in 2001. Per capita GDP reached $190,188 (GBP 17,290) in monetary terms. The 2002 Index of Economic Freedom published jointly by the Heritage Foundation and The Wall Street Journal showed that Hong Kong maintained its position as the freest economy in the world for the eighth consecutive year (1995-2002).

Business is the lifeblood of Hong Kong. The private sector makes up around 80% of GDP and provides over 90% of all jobs. Hong Kong is a major international financial centre, comprising an integrated network of institutions and markets which provide a wide range of products and services to local and international

customers and investors. Hong Kong's stock market is the 10th largest in the world and the third largest in Asia in terms of market capitalisation as of the end of December 2002. It is one of the world's four largest gold markets, the world's 7th largest foreign exchange market and the world's 11th largest banking centre. In 2001, Hong Kong handled 16.8 million TEUs (20-foot equivalent units) of containers, making it the world's busiest container port.

5.2 Ho Yuen Network

The Ho Yuen Computer Embroidery Factory was set up in Hong Kong by Ching and his wife Sik in 1989. The company provides a computerised embroidery service to garment and textile manufacturers in Hong Kong and China. The main service of the company is the embroidering of logos, trade marks or patterns in garments or textile products by using automatic embroidery machine. The factory was first situated in Kwun Tong District, the oldest industrial area in Hong Kong. In 1989, Ching and his wife bought an embroidery machine and started running the company without hiring any other employees. In 1995 the factory moved to Dongguan, a special economic zone in South China to take advantage of the cheap labour and rent. The factory now has fifty embroidery machines (total market value of 1.8m GBP), over 400 employees and built its own plant in China in 2000.

The owner of Ho Yuen, Ching, is in his early fifties. He is my distant relative and I call him uncle because he and my father are 'brothers' - cousins sharing the same family name. At a wedding banquet I managed to have a quick chat with Ching and we talked about my research, with my asking Ching if he could do me a favour by meeting me for further conversation another day. He agreed to meet me without hesitation but at the same time he told me that he might not be able to help me because he was not successful and his business was not doing particularly well. I assured him that he would definitely be of help to me and we agreed on a time to meet in his office in Hong Kong the following week.

I arrived in his office in one of the industrial buildings on an old industrial area. The current office of Ho Yuen used to be manufacturing site when it was first set up in 1989. Now all the machines have been moved to China and the place has been transformed into an office. The main function of the Hong Kong office is to

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act as sales office, where Ching spends most of his time contacting his customers and suppliers. The office was modestly decorated, with some old office furniture which was given to Ho Yuen when Ching's elder brother's company shut down a few years ago. Immediately next to the entrance was a tall display unit which is called 'worship desk', the 'worship desk' is used to display the figurine or image of budda and immortals of other religions, normally Buddhism, Taoism, or both. In the top centre there is a red lamp which must be kept alight round the clock, this symbolising the continuity of life and prosperity. In Ho Yuen's office the 'worship desk' displayed images of mortals from both Buddhism and Taoism. There was a cup full of ash in front of the images. This is used to hold incense sticks and ash when burning them. It reminds me how serious Ching is in worshipping every day. I remember I once met his son on a public holiday and he told me he was on the way to the office to worship and *shangxiang* (light incense sticks) because his father asked him to do so.

We have a chat about our families and relatives while Ching was making Chinese tea for me. Then we sat down to start the interview. Sitting in front of me is a medium built Chinese man in his early fifties. Looked at him reminds me of what he looked like before he started his own business. Before he started his own business he worked as a clerical staff member in a small trading firm for over 15 years. He was overweight for nearly twenty years until he started his business in 1989. Because of his weight he used to have trouble with his blood pressure so that he had to see doctors and take pills regularly. Amazingly, in less than a year after he started his own business he had lost at least 5 stones. This, he believed, was because of the extra workload and work pressures of running a business. He once joked about his weight and business: "although I didn't make much money from the business, at least I saved money on prescriptions".

Our 'chat' lasted over three hours and in the interviews we talked about his business, why he wanted to set up his business and how he managed to organise resources to set up his business and his ultimate goal. After the interview I asked if it was possible for me to talk to the people who are involved in his business and to visit his factory in China. He said there was no problem at all and I just needed to tell him the best time for me. So in the following weeks I had the chances to

talk to his wife, the co-founder of the business, his two sons, his brothers and sisters, and some of their suppliers and customers. The people I talked to form a web with Ching and his company as the core part of a network. This network is named as Ho Yuen Network and is illustrated in Figure 4.1.

Like many other Chinese businessmen, Ching is not the only person in the family to run his own business. On the contrary, all his brothers and sisters except the eldest brother and eldest sister, run their own businesses. Ching's eldest brother, Leung, is a medical doctor who works in a clinic. Ching's eldest sister lives in Shanghai and retired many years ago. Ching's other elder brother, Zhong, ran several businesses which were not very successful. According to Ching, Zhong gave his family a "hard time" because of his failure in running businesses. Now all his businesses have shut down except one factory in China, which is run by his partners in China. As one of the shareholders, Zhong receives his part of dividend at the end of each Chinese New Year. Ching's nephew, Zhong's eldest son Dabin, set up a trading company of ceramic and polystone figurines eight years ago. The business is growing gradually and has just purchased a new office in order to expand its show room.

Ching's brother-in-law, Sheng, set up his own trading firm, Luckystar Trading, in 1987. At the beginning, he hired Ching's brother Zhong to be his salesman. However, after two years there were arguments between them, so Zhong left Luckystar to start his own company in the same field. Luckystar's business was affected severely and was at "rock bottom" in 1989. Sheng's wife, Ching's eldest sister Wan, quit her job as a stuffed toy designer and joined her husband's company to take care of the administrative work while Sheng concentrated on sales. After two years of poor performance the business begun to grow gradually. In the first few years the company traded stuffed toy material that was made in Taiwan and sold it to stuffed toy manufacturers in Hong Kong. In recent years, because of the competitive price and quality of materials made in China, Luckystar has been purchasing material from China and selling it to manufacturers in China.

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Five years after Ching set up his computer embroidery factory, Ching's sister and brother-in-law, Yee and Yin set up their own computer embroidery factory, Ming Kee Factory, in 1994. The two factories were 5 minutes walk away from each other. In the first few years Ming Kee was Ho Yuen's key sub-contractor. It is common in this industry that if an order is too big that factory subcontracts it so that they can complete their order on time. Ming Kee have benefited from Ho Yuen's business network and shared some facilities such as a graphic designer and joint orders to get trade discounts. However, the relationship between Ho Yuen and Ming Kee has deteriorated in recent years since Ming Kee has developed into Ho Yuen's competitor. Their business relationship has worsened in the last two years, especially after Ming Kee moved its factory to China, close to the Ho Yuen factory. The two factories are competing head-to-head and this has also developed into a domestic row between brothers and sisters.

In the course of both unstructured and semi-structured interviews, the issues of capital, knowledge and skills, market opportunity and risk were discussed in depth, mainly following the schedule of my interview questions. This forms the first part of the discussion in this chapter. The second part of the discussion is mainly focused on the themes that emerged from the discussion covered in the first part. These issues included family, network and family business and motives in starting a business.

5.3 Capital

Studies of entrepreneurship emphasise that the major source of start-up capital are mainly from the business founders' families and social networks (Brown, 1995; Post, 1995). Studies seen family and network as existing sources of capital which are available to individuals when they need them to create new venture. From accounts of the informants, a different point of view can be identified. Informants speak of playing an active role in managing start-up capital in various ways. Choosing the type of business to be in is one of the most significant factors in managing start-up capital. Some of the business founders have decided to go into trading business because of the low start-up capital, for example Dabin, Ching's nephew, started his own trading firm eight years ago.

"I didn't have much savings at that time, besides, I think it's not worth investing too much to start a business. There are <u>many ways of doing business</u>. I think trading is the best for me, <u>lots of the people I know</u> are running trading firms. It doesn't need that much start-up capital, just needs to rent an office as a show room and that's it. When we get orders from clients, we take it to the bank to open a back-to-back L/C (Letter of Credit) and that's sorted. In many cases, we only need to pay a small amount of deposit to our factory in China and then pay them the balance after we received the full amount from our clients."(Dabin, founder of Regent Trading)

Apart from choosing a type of business that requires little start-up capital, using their existing resources such as their property to borrow secured short term loan is another way of managing the running capital. Another trading firm in the Ho Yuen Network, Sheng and Wan's Luckystar Trading, have used similar sources of finance – back-to-back L/C and credits from the bank using the property they live as security.

"One major benefit of owning a property is that the bank trusts you and if you need to open a L/C, it's easy and the credit limit is as high as the value of the property. For ours we got 200,000GBP. Actually it is only short term borrowing, once we get paid from our clients, normally in one or two months, we pay back to the bank and that further enhance our credit rating."

For those who decided to start their own factory, the required start-up capital was much higher. However, the business founders find ways to cope with it:

Ching: When we were working for others, we saved up every single penny, we didn't spend a penny unwisely. We knew we couldn't work for others forever and so we needed to save up capital for our own business.

WL: Did you have any idea what business you'd be in?

Ching: No, what we do is wait and see, and save up capital at the same time. We know that without money it's meaningless to think of anything. We need to do both (save and look for opportunity) at the same time."

WL: How did you manage to get the required capital to start up your business?

Ching: The majority of the capital was from our own savings. To start a computer embroidery factory we needed to buy a machine. It costs 50,000 GBP. Then we needed our own factory site. We decided to buy instead of rent because in the long run it is cheaper. The money to buy the machine was from our own savings. The down payment of the factory is through hui.

The above account has shown the importance of family savings in the process of new venture creation. Also the informal source of capital, *hui*. *Hui* is an informal saving club formed by relatives, friends, neighbours or colleagues. Each member puts certain amount of money to the club at a fixed interval, normally monthly. At the end of the *hui* period, normally six months or one year, *hui* members bid for the total saving. The one who is willing to pay the highest interest gets all the money and pays interest to the rest of the members until the total amount he owes is paid off.

In Ho Yuen's case, Ching joined *hui* with his former colleagues. At the end of the *hui* period, he bid for the *hui* money and got a total amount of 10,000GBP to pay the down payment of the factory site.

Ching's elder sister, Yee and her husband Yin, set up their own computer embroidery factory five years after Ching set up the Ho Yuen factory. They used a similar way of raising start-up capital.

"We didn't borrow much when we set up the factory. The money for the machine was from our own savings. We didn't buy the factory site, we rented it instead. We didn't want to be in heavy debt. So we just spend based on what we had at that time and borrowed a bit from my older brothers and sisters. If we didn't have

the money we wouldn't have started our own business" (Quote recalled from conversation with Yin, founder of Ming Kee Factory)

The accounts above support the view that the main way of raising start-up capital is from the informants' own and family savings. What is highlighted in the accounts is that informants play an active role in raising their start-up capital, mainly by saving up their own income and use their existing property to obtain short term loans from the bank. This is different from what is generally believed: that family and network provide sources of capital for business start up. From this account it can be argued that capital does exist 'out there' but that business founders work their way through it by saving most of their income when employed. In addition, capital from the social network also plays a role in running a business, but it is not as simple as a factor that is existing 'out there'.

Ching: "If possible I don't want to bother my friends and relatives, only on occasions when I have no other way to turn. When you borrow from the bank you need to repay money only, but when you borrow from your friends or relatives you owe renqing (favour, see Appendix I). You can repay money but you can't repay renqing."

Despite his unwillingness to borrow from friends and relatives, Ching borrowed from his cousin Ang a total amount of 100,000GBP when Ho Yuen was facing financial difficulties in 2001. Ching admitted that was an occasion he was not happy about.

Ching: "I have no choice, the bank wouldn't lend that much money. I was lucky I have such a good brother (cousin). My wife and I will always be grateful for what he did to help us at that critical time."

Despite the *renqing* that Ching mentioned, the cost of borrowing from relatives is by no means cheap. In Ching's case, he paid 10% p.a. as interest to Ang, while the interest rate in the bank is less than 4% p.a.. Therefore in monetary term, it is a win-win transaction. However, the interest rate and interest are rarely talked about and only *renqing* is mentioned from time to time.

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Ching: "We both know that I need to pay interest. There's no need to say it. You can say that he has no financial loss. But still he has the choice of not lending me the money and putting the money in the bank, nice and safe. He trusted me as a brother, 'gave me big face' (see table 8.1) and lent me the money. I'll always remember that."

From our conversations it can be inferred that social networks could be seen as a source of finance when one needs it in the case of emergencies. While in business start-ups, business founders do not see their network as something available for them to borrow money from. Our business founders would first use their own personal savings, and if it was still not enough, then they would use other options, such as *hui*, banking facilities and finally borrowing from friends and relatives. Although social networks can be seen as a source of finance, but it is by no means available to everyone. Several years ago, Ching's brother Zhong tried to borrow some money from Ang to set up a factory but was refused. The reason, according to Zhong's wife, Fong, is that Zhong has borrowed lots of money from Ang before but he never kept his promise to repay the debt. As a result, Zhong's family has to repay the debt for him. Because Zhong has this bad reputation, Ang did not want to lend him further money. From this account it can be argued that source of finance has two major aspects, the rational and emotional side. On the emotional side, people lend money to their 'brothers'/relatives in order to help them, but on the rational side, they consider the 'credit rating' of the borrower. In addition, they receive higher return for their money. Therefore it can be argued that social networks are not sources of finance that exist 'out there', it is through ongoing social interaction that makes it available/not available to the business founders.

In summary, some key issues can be identified from the accounts. Firstly, the informants play an active role in acquiring the start-up capital, normally by choosing the kind of business that requires low start-up capital. For current employees, the accounts have shown that many of them are in the stage of saving up capital in order to start up their business in the future. This has highlighted the active role that individuals play in starting up their businesses. Another reason for choosing a business with low start-up capital, as discussed earlier, is to reduce the

level of risk. Also it helps to explain the importance of work experience for the process of business founding. One of the main reasons, as shown in the accounts, is that by working for others, informants can then save up initial capital for their own future business. Secondly, the important role that informants and their family play in acquiring start-up capital, normally by minimising their expense and saving up as much as possible. This has also highlighted the importance of family values, trust between family members and family support in the process of new venture creation. Thirdly, it highlights the role that social networks play. From the accounts it can be inferred that borrowing from social relations is part of a complex social interaction. Both the lenders and borrowers have a key role to play: the borrowers need to show a good reputation, 'big face' (see table 8.1) and thus good credit rating so that the lenders would 'give big face' by lending the money. As a result of this, money, face, *renqing* (favour) are the major issues in the transactions.

5.4 Knowledge and Skills

There are long debates in the entrepreneurship literature regarding the skills that entrepreneurs require in running their own business. Some studies argue that entrepreneurial skills are learned (Katz, 1993), while some others argue that entrepreneurs are born (Hisrich & Peters, 1989). In this section, the ways in which business founders and their social networks make sense of 'entrepreneurial skills' are examined.

Ching: "To run a business, you can say it is <u>simple</u>, in principle, but also very <u>complicated</u> when you are working on it. It is simple because <u>everyone knows</u> that the main reason is to make money, therefore you need to buy low and sell high. But in order to get the orders, you need to keep your customers happy and keep the factory operating smoothly, and that's very complicated. I work and learn at the same time. The only way you can learn it is <u>from your own experience</u>, there's no other way."

Like Ching, other business founders agreed that the basic rule of running a business is very simple and *'everybody knows it'* but that the skills of running a business cannot be taught in college. This can only be learnt from experience.

However informants agree that certain skills such as book-keeping, shipping, banking documentation and business correspondences should be learned through proper training as well as through experience. However, having recognised that work experience is crucial in running a business, informants did not start up their business in order to gain experience, rather they started working by being employed.

"If you start up your own business and you have no work experience, it's very risky. It is always better to work for others and learn from others. If you make a mistake when working for others, the worst case is you get fired – at least you learn something from your experience. But if it's your own business, you've to bear all costs. The 'tuition fee' is too high. It's always better to have someone to pay the 'tuition fee' for you – get an employer" (Zhong, Ching's brother)

Sheng, the founder of Luckystar Trading, emphsises that the *'best way'* to learn how to run a business is to work for other because one can then *'get paid to learn'*. This is echoed by other business founders I talked to who have emphasised the importance of working for others as a springboard to starting up their own business. Apart from saving up start-up capital, to gain work experience is an important reason for them to work for others. This seems to support the argument that organisations have been the main source of business founders' 'training grounds' (Hannan & Freeman, 1987). However, the accounts from the informants have shown a different view of work experience. Organisation ecologists argue that entrepreneurs are being trained in organisations – this leading to new venture creation. Therefore the "greater the number of organisations of a given form, and the larger the average size of the organisations, the greater the number of potential entrepreneurs being trained"(Aldrich & Wiedenmayer, 1993 p.160). Conversations with the informants tell a different story. Many informants said that they learnt a lot from their previous work experience before they start up their own business. It is because they want to set up their own business that they decided to learn from their employment, not because they have learnt the required skills that they decided to start up their own business.

Ching's wife, Sik, co-founder of Ho Yuen explained why she joined a computer embroidery factory before setting up their own business:

"At the time we (Ching and Sik) believed that this industry (computer embroidery) had great potential, so we decided to set up a computer embroidery factory. The thing was we didn't have any idea about computer embroidery, we needed to learn from others. Because we had no idea about it at all, other computer embroidery factory wouldn't hire us, usually they look for skilled labour. So we thought we needed to learn something first. We have a friend who has a computer embroidery factory, so I went there and learned how to do it (computer embroidery) for a few days. After I knew a bit about it, I went to a factory which was hiring skilled labour in computer embroidery. I told them that I knew how to do it, so I was hired. Because I already knew a bit about it, I learned while working for others - so it didn't take me long to master it. After working there for a few months and I believed that I'd mastered the skill, I quit the job and set up my own."

In Sik's case, learning through work experience is a consequence of their decision and actions rather than unintentional consequence as suggested in the literatures. Some other informants I talked to have similar experiences. Although it is possible that informants are constructing their life stories during our conversation, other information gathered provides strong support for the reliability of the story that has been told. For example, Sik gave up her job as a supervisor in a garment factory and joined a computer embroidery factory as a trainee worker. This would be hard to understand, if it wasn't for other reasons. From the accounts, it can be argued that the entrepreneurial skills are learnt by the entrepreneurs on purpose, that is, it can be seen as a form of intentional enactment.

Informants have consistently said that one of the reasons to be employed is to "*get paid to learn*" and that they did not need to pay a "*tuition fee*". Also, if they made the wrong decision or things went wrong, that would be on employers' costs. The worst that could occur would be to "*be fired*". This suggests a lack of sense of belonging and responsibility towards their employers. The relationship between

employer and employees will be discussed in-depth in a later chapter. In what follows, the issue of market opportunities will be discussed.

5.5 Market Opportunities

A significant number of studies in entrepreneurship have emphasised the importance of market opportunity (Lowell, 1996; Minniti & Bygrave, 1999; Krueger, 2000; Shane, 2000). A common assumption behind these studies is that opportunity creates entrepreneurship. According to these studies, opportunity is an object that is 'out there', waiting for the entrepreneurs to seize. The focus of the studies is therefore on how and why opportunities are made available to the entrepreneurs. The psychological perspective emphasises that individuals with certain personality are more likely to be alert to opportunity and thus create their own business. The economic perspectives emphasise the importance of the macro environment that provides the right opportunities for the entrepreneurs. In the other hand, there are studies which emphasis that opportunities are enacted (Gartner, Carter, & Hills, 2001). Gartner argues that opportunity is socially constructed through individual's sensemaking and enactment.

In this section, how informants speak of opportunity will be examined. For most business founders, the opportunities are seen as just happening to appear at the right time:

"A friend of mine was running a computer embroidery factory, we went to his factory and he showed us around and told us about the cost and profits etc. According to my friend, the profit margin was very high and it wasn't difficult to run. It seems this industry is rather promising. At that time the savings we had in the bank was enough for us to buy one machine and start this factory. We thought it was a good opportunity. So we went ahead with it." (Ching, founder of Ho Yuen)

Yin, founder of Ming Kee, mentioned that he had set up a business with his friends a few years before he set up Ming Kee. The business was making good money but there were conflicts between him and his friends so Yin quit the

business and went to work for others. After a few years he set up a new business again, with his wife.

"I see our <u>relatives and friends</u> running this computer embroidery business and they're making lots of money. Although there were people saying that this industry is shrinking, we decided to go ahead. It seems we were right." (Yin, founder of Ming Kee)

"When I was working for my brother-in-law in his trading firm, I met quite a few friends in business. There are three Taiwanese businessmen who want to set up an agency in Hong Kong to trade in stuffed toy materials. They know me and persuaded me to be their agent so I left my previous company and set up my own business"(quote recalled from conversation with Sheng, founder of Luckystar Trading)

Conversation with business founders seems to support two arguments supported by studies. The first is that opportunities create entrepreneurship as people set up their business when the 'right opportunity' appears in front of them. Second, networks are the major source of market information and that opportunities are passed on through networks. However, different insights can be gained through the conversation with the same business founders and other people in the network.

Both business founders and non-business founders have expressed positive attitudes towards setting up their own businesses. What is of particular interest to this study is that the past experiences of the current business founders have shown that the businesses they are running now are not the first business that they have run. For many of them their current business is the second, third or even fourth business that they have run. According to the business founders, what happened is that when the business fails, they wait for another opportunity to come along, and then start again.

'Opportunity' is widely talked about by the informants. It can be inferred that informants do believe that there are certain opportunities that exist 'out there' and that it is the opportunity that made them create new businesses. From the

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conversations with the informants, people draw upon their own experience and other people's past experience to make sense of the opportunity. Ching's sister, Yee and her husband set up their own factory a few years after Ching set up his business. According to Yee and Yin, this is because '*if they can do that, why can't we? It doesn't look very difficult and the industry looks promising.*' This account highlights the importance of social relations and social interaction in the process of making sense of opportunity. It can therefore be argued that opportunities are enacted. Opportunities may exist 'out there' but what is crucial are the informants' motives and intentions in starting up their business, which according to the accounts, existed long before they actually started up their own business. This can be shown from the accounts of employees' who consistently expressed that they want to start up their own business in the future, and were just '*waiting for the right opportunity*'. Another issue is that the influence of social relations helps informants in shaping the existence of opportunity. This is shown in business founders' accounts that "*lots of friends and relatives are doing it*", "*if they can do it, why can't we?*"

5.6 Risk

The concept that entrepreneurs could be classified as moderate risk takers is of special interest since almost all definitions of entrepreneurs discussed earlier involve risk taking (Das & Teng, 1997; Keh, Foo, & Lim, 2002). Although the argument that entrepreneurs have higher risk-taking propensity has been criticised by researchers from other disciplines. There have been a number of studies supporting the idea that risk bearing is a prime factor in the entrepreneurial character and function (Colton & Udell, 1976; Welsh & White, 1981). In this section how informants make sense of 'risk' and how this influences the process of entrepreneurship are examined.

WL: It's generally believed that running your own business means you have to bear more risk. What do you think about it?

"*Maybe it's more risky, but <u>no venture, no gain.</u>"(Sik, co-founder of Ho Yuen)*

"I don't think it's more risky, working for others you take the risk of being fired one day. Look at me, I was fired at the age of 50, just because I offended my boss's wife"(Ang, founder of Fookshui Catering)

"Nothing is free of risk, every time you cross a street you risk your life of being run down by a car. You can't worry too much otherwise you can't have anything done."(Quote recalled from conversation with Yin, founder of Ming Kee Factory)

From the accounts it can be inferred that although informants recognise that there are certain levels of risk in starting up their own business, when compared with other options, the risk of running a business is regarded as relatively acceptable. Therefore instead of talking about the risk of creating a new business, informants have talked about the risk of the alternative, that is, being employed.

"Working for others, you have to worry that one day you will <u>be fired</u>, <u>sooner or later</u>. You have to worry about your employer's business. If the business is not doing well, you get lower pay. If the business shuts down, you <u>lose your job</u>. Even if their business is good, they might not want you any more. Like my previous employer, their business was very good but they decided to make it better by moving their factory to China. They got rid of the whole factory in Hong Kong." (Fong, Ching's sister-in-law)

"There's no such thing as <u>job security</u>. Working for others means you've living on your boss's mercy. They can get rid of you if they like. Having your own business at least you know what is going on. If you fail, you fail."(quote recalled from conversation with Lim, founder of Dynasty Garment Factory)

A strong sense of job insecurity and a distrust of the employer can be identified from Fong and Lim's accounts. Others talked about how they manage risk in running their own businesses, one of the strategy is to start with a low investment business.

"I don't think running my own business is more risky. Especially you do trading like me. You don't need much start-up capital or heavy investment. The worst

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case is it fails and you go back to your full time job.   There's <u>nothing to lose</u>."(Dabin, founder of Regent Trading)

Several issues can be identified from the above accounts. As mentioned earlier, a strong job insecurity and a distrust of the employer can be identified. Informants repeatedly talked about the possibility of being fired and the lack of secured future of being employed. By drawing upon their own or other people's experience, they speak of creating their business as a less risky business in the long run. As there is *"nothing to lose"*, it is not risky to create a new business. From the accounts it can be argued that the assertion that entrepreneurs have higher risk taking propensity is questioned because the assumption of this argument is that individuals perceived risk and still decided to go ahead. However, some informants have recognised that there are uncertainties in creating a new business, but compared with being employed, they speak of having more control and finding things manageable.

One of the commonest ways, according to the informants, is to work out a worst scenario, minimise expenses and have a 'spare income'.

Ching: "At that time when we tried to set up our business we already had the flat we lived paid in full, so we have somewhere to live. The cash we had at that time (50,000 GBP) allowed us to buy one machine paid in full so that we didn't need to pay instalment every month. The money we borrowed allowed us to pay the down payment of this office. The monthly mortgage is about 400GBP. I didn't quit my full time job at the beginning while my wife worked full time in our factory. We didn't hire anyone at that time so we didn't have much fixed cost. Each month I was making 900GBP, we didn't spend any extra penny on other things. The flat we lived had been paid off. We thought even if the worst happen, that we got no order at all, with my salary we can still manage to pay for our living, the mortgage of the factory site and other expenses. Therefore even if the worst happens we can still survive. The worst case would be if we lost our savings but we still have somewhere to live and my income to support our living."

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Lee, The founder of Ho Yuen's key supplier, Sakura Thread Factory, reports similar experiences when starting up his own business. His company was set up in 1990 as a trading firm selling Japanese-made thread to the computer embroidery and garment manufacturers in Hong Kong and China. In 1992 the company set up its own thread factory in China. While their Hong Kong office has been expanded to be the sales and sample office. Lee is in charge of the selling in Hong Kong and China while his wife is in charge of the daily administration in the office.

"The starting capital of a trading firm is not very high. What you need is to have your company name registered (costs 50GBP) and that's it. You don't need an office for a trading firm, you can register your home address and telephone number in the registration office, which I did. There wasn't that much administration work at the beginning. I have a friend who has an office and he let me use his office facilities and get help from their staff. There was a clerk who helped me to deal with the administration work and of course I gave her some reward. My wife was working full time at that time to support the basic living of the family. The running cost of my company was very low so it was fine."

"After one year when I began to build up stable business relationship with a few main clients. I set up my own office and hired one clerk to answer the phone and deal with all administration and shipping stuff. At that time the company had some stable income so I could start putting some money into it. Otherwise it would be too risky."

WL: That means you've worked out your worst scenario if things didn't work out?

Lee: "Yes, of course I need to think about it. That's why I've to do it step by step rather than investing too much in the business at the beginning. I thought if the business doesn't work out, I could always go back and work for others. It's not the end of the world. With my wife's job, we could still have some basic income to support my family."

While Ching and Lee have passed the stage of depending on their 'spare income', some other informants are still in the stage of relying on 'spare income'. Ching's nephew, Dabin, the founder of Regent Trading, still remains full time employed in a printing factory, eight years after he set up his own business. Regent Trading has been growing gradually in recent years and has just expanded its show room in Hong Kong. Dabin talked about the reason why he has to stay being employed.

"Although the business has been doing pretty well in the last few years, still it is not stable. I got married two years ago and bought a flat with my wife. I used all my savings on the wedding. While my parents helped me a lot in buying the new flat, still I need to pay mortgage every month. On top of that we owe my wife's uncle some money for his work on renovating our new flat. My wife is working but with her salary it is not enough to support our living. Every month we need to pay mortgage, food, transportation and other expenses etc. Also we need to save up money to repay our debt. Therefore we both need a stable income. As my business cannot guarantee a stable income, I need a stable job. Still, I think my business has great potential so I don't want to give up. I've spent so much time and effort on it and it's growing. Therefore I have this job as an accountant and work in my own office at lunchtime and in the evening. The two offices are very close to each other so I can go to my office during lunchtime and after work. Most of our clients are from overseas, and most of our daily correspondences are through fax or email so it doesn't matter when I get there."

These accounts do not present running one's own business as 'risky', as is generally suggested in the literature. Instead for some informants it is a less risky than being employed. According to these informants, being employed could mean being fired one day without any advance notice. That would put themselves in a worse position. Therefore one way to avoid this 'risk' is to create their own business so that they do not have to worry about being fired. Furthermore, when setting up their own business, most of the business founders do not see it as a risky step, although they do admitted that there are uncertainties. Therefore, they work out a way to cope with these uncertainties. Some of the couples have one person who maintains their full time job while another one runs their business, thus maintaining their basic living. Also, they maintain their expenses at the

minimum during the 'most risky' period, thus reducing the risk of in debt. In addition, they work out the worst scenario in case the worst happens, and what they would do to cope with it. One of the common solutions is to shut down the business and go back to work for others.

In summary, several major issues can be identified. First is the way in which the risk that is spoken of is different from what the literature has suggested. Therefore an alternative way of investigating risk is required. The accounts shown that informants played an active role in managing risk factors that they faced in new venture creation. Risk, therefore, is not a factor that is attached to running a business. According to the informants, it is manageable. Second is that a lack of security, and distrust between employers and employees. Third is the important role that family play in the creation of new ventures. When starting up their new business, business founders have to worry about the living of themselves and their parents, children or both, but for their family name and future of their children, they said they found it necessary to step out. In addition, in the process of new venture creation, family members, normally the spouse, play a role of providing a stable income to support the family. This has highlighted the importance of family values and family support in the process of new venture creation. All these issues will be discussed further in chapter 7 and 8.

Throughout the conversations, informants emphasise that the main reason for running their own business is to make more money. But rarely do they talk about their family. From the accounts it is possible to infer that family is not a factor for the informants. However, after further discussion with the informants, different stories are revealed. Literature tends to argue that individuals and their family are separate entities (Chua, Chrisman, & Sharma, 1999; Westhead, Howorth, & Cowling, 2002). It is interesting that individuals see family differently from what is generally argued in the literature. From the discussions with the informants, a different way of looking at family can be identified. It is important therefore to explore how individuals talk about their family and how their concept of family influences them in the process of new venture creation.

5.7 Family

Family and family business have been a key issues in major Chinese business literature (Brown, 1995; Wong, 1995; Haley, Tan, & Haley, 1998; Chung, 2001). From the accounts presented above, family is important in influencing informants' motive and intention to start up business, forms a source of capital and labour, and provides social support to the informants. Taking this forward, the issue of family and its relation to new venture creation are examined.

In Ching's accounts, he emphasised that the reason of running his own business is to make more money, to have a better living for his family. Following the discussion I asked him about how he thinks of his family.

"Family is the most important thing to me, no doubt about it. Everything I do, I do it for my family. If one has no family, one has nothing, no matter how rich he is. Of course if you are rich you can still live comfortably. But people will feel sorry for you because they would think one day you would be old and die alone and nobody around you. This is the last thing one wants. Everyone wants to have sons and grandsons around you when you are old. Money is important, it is important because it can give my family a better living." (Ching, founder of Ho Yuen)

Ching's accounts emphasise the importance of family to his life. Ching has repeatedly emphasised that family is the most important thing to him because *"if one has no family, he has nothing"*. From the accounts of other informants, it is possible to infer that the meanings is shared by people in the same social group through his expression of *"people feel sorry for you"* *"everybody want to have sons and grandsons.."*. Other informants expressed similar attitudes towards their family and talked about their obligation to their family.

"It is the regret of my life that I couldn't provide my parents better living when they were here. Now they both passed away and I can't do anything for them. Although they are not around any more, I have to work harder so that I am not a shame to them. Now I have my kids around, I just want to provide the best for

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them, so that they don't have to suffer like my parents."(Fong, Ching's sister in law)

"I don't want my kids to suffer. I want to make more money so that they can have a more stable life. I don't know if my daughter can go to the university in Hong Kong. If not, then I'd have to send her to study abroad. It's so expensive that I really need to make more money." (Lee, founder of Sakura Thread Factory, Ho Yuen's key supplier)

"With more money my parents could have a better living. I don't want them to be looked down on by other people. If I make more money and provide a better living to my parents, our relatives will be jealous of them and would said 'so and so' has such a son that provides 'such and such' to them. What filial piety their son has. My parents would be happy to hear this. Nobody wants their parents to suffer."(Dabin, founder of Regent Trading)

"I want to make more money so that my family can have a better living. Who doesn't want their families to live more comfortably? I would be satisfied if I can buy each of my daughters a decent apartment and leave them some cash. Then I think my duty is fulfilled"(quote recalled from conversation with Yin, founder of Ming Kee Factory)

The above accounts have shown that informants have a strong sense of obligation towards their parents, spouse and children. This is also related to family name, shame and pride in the social group.

"If you are rich, people would be jealous of you, respect you and so your family has 'face'. Like an old friend of mine, all his brothers are running their businesses and they are all doing very well. Everyone says that their ancestors must have the graves with best Feng Shui (it is a Chinese traditional belief that if one is buried in a grave with good Feng Shui, then his/her future generation will be benefited from it). What a great honour to their <u>family name</u>."(Chan, co-founder of Sakura Thread Factory)

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"I am the only one in my family who is not rich. All my brothers are making very good money by running their own business. I feel bad that I am not doing as well as they are. I don't want my wife and my kids to feel that our family is inferior to theirs. We are brothers therefore we should be equal." (Li, founder of Regent Trading)

In the above accounts the meaning of 'family' changes depending on the context. In Li's conversation, in the first sentence 'my family' refers to siblings or brothers who carry the same family name while in the second sentence, 'our family' refer to his core family while 'theirs' refer to his brothers' core family. Although the same word *jia* (family 家) is used, the meaning underlying is different. 'Family' can mean core family members such as husband and wife, parents, sons, daughters and siblings who are single. It can also mean people with whom they have kinship ties such as relatives sharing the same family name or originated from the same village. From the accounts it can be inferred that the special meaning and family values have played a key role in shaping informants' way of making sense of their environment in the process of new venture creation. Therefore it is necessary to explore this issue in-depth. The in-depth discussion of family and family value will be presented in a chapter 8.

From the accounts presented above, family plays a key role in the process of new venture creation in respect of capital, labour and social support. In this section how individual make sense of the relationship between their family and the further aspects will be examined.

5.7.1 Family – Sources of Capital

First, the impact of family and source of capital is discussed.

"It is true that most of our start-up capital is from our own savings. This includes my own and my wife's savings. Even my oldest son's savings, he had a savings account to keep his lucky money (see hongbao in Appendix I) he received each year in Chinese New Year (see hongbao in Appendix I). There is no clear border

between my wife and my own savings. We are a family."(Ching, founder of Ho Yuen Factory)

"I worked very hard before we started up our own business. We put all our money together, actually we never have any secret in this aspects. We know precisely how much money each of our accounts has. Whenever there are big expenses, we would discuss these with each other, we don't spend the money like it belong to me or him, we all know it belonged to the family. As a family, if you are not united you have no future."(Sik, Ching's wife, co-founder of Ho Yuen Factory)

The accounts of the husband and wife has shown their absolute trust towards each other and their belief that it is *"the way it is"*. This is also shown in other informants' accounts.

"We both have our accounts but it doesn't matter who has how much, at the end of the day it belonged to the family. We wouldn't spend it without another person's knowledge. It makes no difference whether I put the money in my bank account or her bank account."(Yin, founder of Ming Kee Factory)

Sheng, the founder of Luckystar Trading, mentioned that his family has a joint account to put all the family income and savings together. Although each of the family member have separate bank accounts, they know precisely how much each member have in the different accounts. Other informants have expressed that they have similar family saving accounts.

In these accounts informants show an absolute trust among core family members that they see themselves as a unit rather than separated entity, at least in financial terms. This is supported by literature, which argues that family is a basic unit in Chinese society. In what follows, the aspects of labour and social support are examined.

5.7.2   Family - Human Resource

In Ho Yuen Factory, the owner Ching, his wife Sik, their two sons and daughter-in-law are all working in the same factory.

Ching: "It is natural for my wife and I to work together.   My sons have been helping out in the factory since they were eight and ten. The business belongs to our family and we work together as a family.   I can't see any reason why we shouldn't… Without my family there's no way I can start up this business, it's just impossible"

Ching's two sons, Dabo and Siubo talked about helping out in their parents' company in similar tone:

"I was nine when my parents started up this factory.   I was still in primary 4, every day after finishing work I took a bus from home to the factory with my little brother.   He was one year younger.   We were too young to operate the machines but we could do some minor work like cutting thread, sorting logos, delivering and collecting samples from other companies.   Because I was the older one, I had to go to the market to buy food, and I cooked for the family.   We didn't go home. In our factory we have simple cookware where we could cook and have our meals there.   For us, the factory was more like a home than a factory.   We spent most of our time in there."(Daipo, oldest son of Ching and Sik - founder of Ho Yuen Factory)

"My brother and I started helping out when we were very young.   Because our factory was small, we didn't hire anyone.   Therefore we need to help out.   If we didn't help, who could help?   It is our own company so we must help.   I saw my parents working so hard, they worked very long hours, my mother had a miscarriage a few months after we started up this factory.   I know it was because she worked too hard.   Therefore we must help.   Nobody want their parents to suffer.   I was eight years old at that time, old enough to know how hard my parents had worked, so I needed to take care of myself and to help out in the business.   The company is ours so we must do our duty. (Siupo, youngest son of Ching and Sik - founders of Ho Yuen Factory)

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Conversations with the father and sons have shown that for them, it is absolutely 'natural' for family members to work together because the business belongs to the family. It shows a strong sense of interdependence between family members. They keep mentioning that it's '*the way it is*' and '*everybody is doing this*'. Also it shows a shared meaning that the business as an extension of the family, that is, the property of the family members. This shared meaning can also be found in other informants' account, especially from the employees' accounts.

Dabin, a present employee of a printing company and a part-time entrepreneur, talked about his full time job in the same manner:

"The company I work for is a printing factory. The owner, his wife, his son and brother-in-law, etc. etc. , are all in the factory. You know in the first second when you join the business that you are an <u>outsider</u> and will always be an outsider. I know my responsibility, I just turn up, work during the day and get paid at the end of the month. Other things have nothing to do with me. My boss has just bought a nice apartment and he invited us for a party there. It is a really posh apartment. That's fair enough, when your business makes money <u>of course you should spend it</u>."

From the above accounts of the business founders, their family and employees of other companies, it can be inferred that business as an extension of the family is mutually understood by the members of the social group. Because of this, they have different expectation and level of trust to different family members and non-related employees.

Ching: "Well, it is very different. With your family members they can work whenever it is necessary. They wouldn't ask for overtime pay. If the business is no good, they'll be there for you, to work together with you. There's no competition, no conflict. But if you hire someone from outside, if the business is good, they ask for more pay, if the business is no good, they leave you and get a job elsewhere. Simply because <u>they are not part of the business</u>, they don't care about your business, as simple as that. It's different with your family, they know

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the business belongs to them as well, that's why they care about the business. With your own family you can trust them with everything like clients' information and finance. But obviously it is difficult to trust someone else with that."

In summary, the accounts of the informants help us to identify several issues. First is the interdependence of family members, which is a result of absolute trust between family members and distrust of non-family members. Because of this, business founders and their family rely on each other financially, emotionally and socially. For the employers, family members are trustworthy and are committed to the business. They know each other well and therefore they know what to expect from them. On the other hand, core family members are willing to work in the family business because they are working for themselves. However, it is not the same case for non- related employees because they are regarded as outsiders and 'cannot be trusted' the same way as family members. For the non-related employees, they feel that they are outsiders and will not be treated as an insider, they work for the company only on a simpler employer-employee relationship. This has highlights the issue of family values in the Chinese context and the relationship between employers and employees, which will be discussed further in later chapters.

The accounts have also indicated a different feeling between business founders and their relatives. The research accounts show a tension between business owners, their core family and social networks. Mixed feelings between siblings and social relations can also be identified. The above issues of social relations in the network, and their relationship to entrepreneurship, will be examined in the following section.

5.8 Social Networks

The accounts show in previous sections have shown that social networks play a key role in different aspects including source of finance, labour and market information. These aspects will now be examined respectively.

5.8.1 Social Networks – Source of Capital

In Section 5.9 the issue of source of finance from social networks has been discussed. According to the informants, social networks provide various sources of finance for informants. Through the informal savings club set up by social relations, informants are able to obtain unsecured loan as start-up capital. Also, borrowing from friends and relatives provides a source of unsecured loans that informants can obtain in a very short period of time. However, this has raised the issue of face, *renqing* (favour), reputation and thus the 'credit rating' of the borrowers. It has also highlighted the importance of social interaction in the social group and how it influences individuals' behaviour, attitude and expectation towards other members of the social group. The issue of social interaction will be discussed further in chapter 8.

5.8.2 Social Networks – Human Resources

The accounts of informants show a tie between the business founders and their social relations. Sik, the founder of Ho Yuen Factory, has insisted on hiring her brother and nephew to work in her factory. According to her: "*It is always better to have someone you know working in the business. People from outside, you don't know them. How can you trust people from outside?*"

However, according to her eldest son, Daipo, trust is not the only issue concerned with his mother wanting to hire her relatives.

"*My mother likes to hire relatives. This is mainly because she wants to help them, to give them something when she can. I can't understand why. We were betrayed before. One of my uncles (Sik's cousin) ran away with our money, then he came back and my mother took him back. How can you trust someone who has betrayed you before? Besides, those cousins of mine (Sik's nephews) are not the best choice for their job. If I were in charge, I would have them fired in the first place. My mother is too headstrong and won't listen to anyone*"

From the above account it can be inferred that trust is not the only issue that affects the hiring of relatives in business. There is also a sense of obligation between the social relations. This is shown in the accounts of other informants.

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Sik's nephew, Fooklai, worked as a salesman in Ho Yuen Factory in China. I was told that he used to get orders from the clients and sell it to other factories. However, as Sik's favourite nephew, she forgave him and let him work in the factory. We had a conversation in the factory:

"My Aunt Sik is very kind to me. She gave me this job and I am really grateful to her. We are family, therefore I must do my best to repay her. I try to get the best orders at the best price. It's not easy you know, you have to spend so much time with the clients and you are not guaranteed an order."(quote recalled by the author after a converation with Fooklai, salesman of Ho Yuen Factory)

"Sik has been helping us a lot. Without her I couldn't have this job, I would still be living in the village, earning the very low pay. I know she wants to help me, to improve my living. We are family, she helped me and I know that, therefore I need to try my best to work hard for the factory. It is always better to work for your family." (Hing, brother of Sik, founder of Ho Yuen factory)

As an employee who is not the business owners' relatives, Mang talked about this issue in different tone:

"Everyone knows that if you are their relative, you know, as wongmagua (refer to royal family 皇馬褂), you are privileged, you have better chances. People like us, we just work for them, get paid and nothing more. You don't expect much apart from that because there's simply no chance. They wouldn't trust you in the first place. This is fair enough. If I were the owner, I wouldn't trust people from outside. It's same everywhere."(Mang, clerk of Ho Yuen)

"Royal family" is commonly used to refer to employees who are relatives of the business owners. The accounts of the employees have shown that this term is used repeatedly when talking about the owners' relatives. The term conveys a meaning that these groups of employees, because of their kinship with the owners, are 'privileged' – that is, they have better chance of promotion to senior management, gaining access to sensitive information and extra bonuses. From the

above accounts a special tie between social relations and the business owners can be identified. Business founders have shown a preference for their social relations to work in their companies because they believe they are more *'trustworthy'*. Another reason is that sense of obligation towards their *'family'*, which in this case, is their extended family. On the other hand, the employees with no ties are well aware of their position and therefore behave the way as expected, that is, the *'untrustworthy outsider'*. These factors influence reciprocally and shape the reality that kinship are 'trustworthy' and others are not. In short, this has become a 'reality' that is shared by informants. A comparative analysis of this social phenomenon will be presented in chapter 8 to discuss this issue.

5.8.3 Role model, mentor and competitor

Studies of entrepreneurship and Chinese business emphasise the importance of networks, especially as providers of role models and how these influence the creation of new venture in different way (Pan, 1990; Wang, 1994; Suryadinata, 1995; Haley, Tan, & Haley, 1998; McKeen & Bu, 1998). It is argued that in a network there are dominant or high-status individuals who may serve as role models for others or may use their position to direct the behaviour of individuals (Chan & Chiang, 1994). Therefore, individuals with parents or friends who are successful entrepreneurs are more likely to found their own business.

In my conversations with my informants, we talked about role models but it did not seem to be an interesting topic to the informants. Most of them claimed that they have no role model or mentor whatsoever and they do not like to compare themselves with others. Sheng, the founder of Luckystar Trading, use a metaphor *ren bi ren, bi si ren* (人比人 , 比死人), which means if one keep comparing oneself with others, one'll be killed to express how undesirable to compare oneself with others. Other informants' account show similar stated attitude:

"I do my best and I don't compare myself with others."(Ching, founder of Ho Yuen)

"That people are doing well has nothing to do with me. I don't care, I do what I do."(Lee, founder of Sakura Thread Factory)

"there's nothing worth comparing."(Sheng, founder of Luckystar Trading)

"I don't have any role model and I don't think I will ever have one" (quote recalled by the author after a conversation with Yin, founder of Ming Kee Factory)

However, in the conversations it is possible to identify certain individuals that other informants refer to from time to time. For example, Sheng and Wan, Ching's elder sister and brother-in-law, the couple who found the Luckystar Trading, are considered the most successful couple in their family network and are widely talked about in many occasions. Their role can be seen as a role model, in a way:

"It's simple, if you are rich, people look up to you, you are respected by your friends and relatives. Like Sheng ge (哥 - elder brother, a way to address people who are their senior and are respected), he's doing very well and our relatives keep mentioning him in our social gatherings. If you're poor like us, nobody would care to mention you. My second eldest sister (Wan, Sheng's wife), she is so much better off than me. She lives in the Mid-levels (an exclusive residential area), she has servant to serve her family while I live in Kwun Tong (rural area). Look at what she wears at her daughter's wedding, the dresses, the diamond ring and jade necklace......so expensive, so beautiful. People look up to them but nobody cares to look at me. We are sisters but so much different in fate."(Yee, Ching's middle elder sister, co-founder of Ming Kee Factory)

Yee's husband talked about Sheng in similar way:

"Sheng ge is very bright. That's why he is doing so well. You know he gave half a million (50,000GBP) cash to each of his daughters as dowry, plus the jewellery and the apartment they live in. My eldest daughter is getting married this year, I

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don't think I can give her that much, not even close. She can only blame being born in a wrong family." (Yin, founder of Ming Kee Factory)

However, some others talked about Sheng and Wan in different way, with mixed feelings.

"I don't usually compare myself with others, there are always people richer than I am, people live in nice apartments in the Mid-levels, drive Mecedeze Benzs. They go abroad on holiday and own properties in other countries. So what? I don't like to compare myself with them, they are doing well, that's their business. It is nothing to do with me. I am not jealous at all, it's nothing worth being jealous. Everyone has their own problems."(Ching, founder of Ho Yuen)

From the accounts it can be inferred that informants do not like to give the impression that they like to compare their achievements with others. When I asked if they have any role models or mentors, they firmly denied it. This can be understood as aimed to show that they are *yi si wu zheng* (與世無爭 - no competition with the rest of the world). This is a very common idiom to describe people who can't care less about how well the rest of the world is doing, thus showing a superiority in mind. However, from their conversation, it can also be inferred that people in their social network play a key role in shaping their direction, decision and behaviour. This is not, however, a role model in the sense that is generally emphasised in studies (Carsrud, Gaglio, & Olm, 1987; Henderson & Robertson, 1999). When Ching talked about *'some people'* (which in this case it seems he was talking about Sheng and Wan, his elder sister and brother-in-law), he mentioned what material achievements *'these people'* have in detail, which make it difficult for one to believe that he really *'can't care less'* about what other people have, an impression he tried to give in our conversation.

From the conversation it can be inferred that there are tensions between siblings, although there was no competition for resources between them. Nevertheless, there is pressure on each of the members in their social group to keep up with the others, if not to become better off. This is shown in their property-buying

patterns. In the early eighties, when Ching and his siblings were in their mid thirties and early forties, they did not have their own property. At that time Hong Kong had very serious housing problem and Ching and his siblings' families, like many other Hong Kong families, rented one room for each family. Then in the following year, Ching rented a whole flat and sub-let spare rooms, as did Ching's siblings. In 1984-85, Ching and all his siblings bought their own properties, one of the reasons being the very low property price due to the political debate between China and the UK over Hong Kong's future. Unlike other people, Ching and his siblings decided to buy their own property instead of paying rent. With their own savings, they helped each other to buy their first properties. By 1986, Ching and all his siblings all have their own properties paid in full. It must be noted that at this point Ching and his brothers have been helping each other financially in major decisions such as buying properties and business decisions. Ching talked about his feeling for his brothers.

"I always think that if I am doing fine, I have enough money for my family. It's still not enough. If I've enough money and my brothers all have enough money to live on, then life is fulfilled. If you are the only one in your family that is rich and all your brothers suffer, it's no good. Brothers should be in the same boat. Therefore if I can, I'll try my best to help my brothers."(Ching, founder of Ho Yuen)

Over the years, Ching and his sibling have been helping each other. Twenty years ago when each of the families were renting flats, they helped each other to renovate the flats in order to sub-let some of the rooms. Then, in later years when they decided to buy their own properties, they helped each other by using their own savings. In recent years, there are still some borrowings between siblings to deal with financial difficulties. However, apart from helping each other, there are also tensions between siblings.

In 1986, Ching's brother-in-law, Sheng started his own trading business, after working for his brother-in-law (Sheng's elder sister's husband) for years. The business was successful at the very beginning and so Sheng and Wan sold their old property and bought a new apartment in a nice residential area in Hong Kong

Island. In the following two years, everyone in Ching's family network, except Ching sold their old properties and purchased new properties at similar value and close location to Sheng and Wan's property. The reason that Ching and Sik did not buy a new apartment was because of the higher start-up capital of starting up the computer embroidery factory. However, in 1993, although property prices increased dramatically, Ching and Sik decided to go head to buy a new flat at 200,000GBP, a similar market value as his siblings' properties, despite the fact that they were required to pay more than double what their siblings had paid three years ago.

From the accounts, the importance of social relations to the creation of new venture can be identified. There is a tension and a form of cooperation between siblings and other social relations. This plays a role in shaping informants' motives and intentions in starting up their own business. As shown in the previous section, social relations play a key role in new business founding, especially in the aspects of finance and labour. However, an alternative view can be argued for. It is argued in this thesis that social relations as sources of finance and labour do not exist 'out there'. Instead it is through ongoing social interaction that the resources are made available to individuals. This highlights the importance of social interaction in the process of new venture creation. A comparative analysis of this issue will be presented in chapter 8.

The accounts presented above have shown how informants talk about different issues of new venture creation. In what follows, how they talk about their motives in starting up a new business is presented.

5.9 Motives and Intentions

Studies from the psychological perspective have emphasised the importance of motive and intention in creating new ventures (Ajzen, 1987; Bird, 1988; Kim & Hunter, 1993; Stavrou & Swiercz, 1998; Forbes, 1999). In this section I try to examine how people talk about running their own business, their motives, intention and reasons in the process of entrepreneurship.

"Of course the main reason is to make more money. No money, no future."(Yin, Ching's brother-in-law, founder of Ming Kee Factory)

"Of course it (setting up a new business) is to make money, what else would it be?"(Li, founder of Regent Trading)

"Being laoban (boss/owner, see Appendix I) of course is better, you make more money."(quote recalled by the author after a conversation with Fooklai, Sik's nephew, Ho Yuen's employee)

It is interesting to see how people talk about it so consistently in one way. When I asked some business founders why they started up their own business, the first reaction from the informants was that the *'main reason'* of starting a new business was *"very simple"*. It is aimed to *"make a living"*, *"struggle for two meals"* (an expression that commonly used in Hong Kong, it means to struggle for a humble life). But the main reason, according to the informants, is to *'make more money'*.

While most of the informants claimed that the main reason for setting up their businesses was for better monetary reward, I asked them to explain the reasons of wanting to make more money. In response to this question, informants have different answers. Some talked about the negative prospect of working for others.

"Being employed, working for others, salary is rather limited. If the business is no good, there is no increment, like the one I worked in for 19 years. How much did the salary increase? It's impossible to live on that."(Ching, founder of Ho Yuen Factory)

With the income that Ching claimed that is 'impossible' to live on, he and his wife, in their early forties, managed to own a flat paid in full (market value 40,000 GBP) and (50,000 GBP) cash at the time when they started up their business in 1989. Ching's sister and brother-in-law, owners of Luckystar Trading, owned one apartment paid in full (market value 70,000 GBP) and over 50,000 GBP cash when they set up their own business in 1985. In the late eighties, Ching's other brothers and sisters all managed to have their own property paid in full and a

certain amount of savings earned by working for others. The assets they owned at the time when they started up their business were greater than those of the average family in Hong Kong. This must be understood in the context of the fact that in the late eighties, half of Hong Kong's population had no property of their own and had to live in government-owned flats. It is fair to say that Ching and his brothers' and sisters' families were better off than the average Hong Kong families before they started up their own business. Therefore it can be inferred that what Ching meant by 'impossible to live on' is different from what one might interpret literally. It is a common practice in the Chinese context for people to express themselves in a relatively humble way. In this case, what Ching meant was that working for others made it *'impossible to live up to their expectation*".

WL: So the main reason of running your own business is to make a living?

Ching: Yes, I want to have better living, to have something for the next generation. I hope to work harder myself, see if I am lucky, to earn more. I want to improve my living standard, to let my children to have a more comfortable life. To have a better life, the only way is to have my own business. Being employed is more stable, but life is tough, you can only arrange your living based on the limited income."

From Ching's account, three issues can be identified. First is his expressed desire to improve his family's living standard. Second is his reported sense of obligation to his children, and also the dissatisfaction of the limited income gained by being employed. Other informants talked about running their own business in similar way:

"It is too obvious. Who doesn't want to be the laoban (boss/owner)? Running your own business you have a chance, otherwise you spend your whole life working for others and end up with nothing."(Fookyim, salesman of Ho Yuen)

"Being employed you're making money for others. No matter how hard you work, the money is not yours. What's the point of making money for other people?"(Yin, founder of Ming Kee, Ching's brother-in-law)

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"I can say that I worked as hard as my boss, if not harder, but he was much richer than me. He lived in the Mid-levels (a luxury residential area) and I lived in Sau Mau Ping (council housing estate). If he can make it, why can't I?" (Tan, founder of Dynasty Garment Factory, Ho Yuen's key client)

"Unless you're well educated, you don't stand a chance unless you run your own business. When you are older, say when you are at your late forties, you are likely to be fired and become unemployed and that's it. Whereas with your own business you're either retired at that time, with enough money to spend, or still running your own business. You don't have to worry that people will fire you, you have more control of your life."(Dabin, Ching's nephew, founder of Regent Trading)

"Everybody knows that gong zi bu chu tuo (工字不出頭 - the word 'worker' means you can't expect much achievement working for somebody else (based on a ideograph of an Chinese character 'gong' {工 work, worker} which signify a barrier to upward progress). Who wants to be an worker for the rest of their life?"(Chow, purchasing manager, Dynasty Garment Factory)

There are related quotes that recalled by the author:

"If you run your own business you stand a chance of becoming rich and respected. People are impressed by your achievement."(Yee, Ching's middle elder sister, co-founder of Ming Kee Factory)

"Running your own business is of course better than being employed. You don't have to listen to your boss all the time. Be your own boss you can do what you like."(Siupo, Ching's youngest son)

Throughout the conversation, it was possible to identify a particular way of speaking which implied a consistent approach to 'running your own business' and a negative attitude towards 'being employed'. "Running your own business" and "Being your own boss" are related to *"making more money"*, *"more control of your life"*, *"better living"*, *"stand a chance to be rich, to be respected"*. On the other hand, "being employed" or "working for others" are related to *"limited income"*, *"making money for others"*, *"be fired"*, *"unemployed"*, *"no achievement"* and *"end up with nothing"*. It is important to point out that they have used the words such as *'of course'*, *'obviously'* *'no doubt'* *'everybody knows'* when expressing their opinion, which showed the take-for-grantedness in this aspect.

In summary, several issues can be identified from the above accounts. First, is the importance of family to the informants, many informants having said that the main reason of running a business was for their family. Second, the informants' stated attitude towards entrepreneurship are positively related to higher monetary reward, social status and more control of life. Third is a dissatisfaction with pay and job prospects while being employed. A lack of job security as a result of the distrust of the employer can also be identified. Furthermore, the importance of their own and their social relations' past experience can also be identified as informants continuously draw upon them in their accounts. All the above issues will be discussed further in the following chapters.

5.10 Summary

This chapter started with the background of the computer embroidery factory, Ho Yuen, followed by accounts from business founders, their family and social relations. The ways in which informants talked about factors such as capital, market opportunity, skills and knowledge are examined in order to understand the 'reality' of entrepreneurship in Hong Kong network. Three main issues identified from the previous accounts are the family, network and the informants' motives and intention, which were then discussed in subsequent sections. From the accounts, the major issues that related to entrepreneurship are identified and summarised in the table below. It must be emphasised that these numerous issues are interwoven and interrelated and form a vast net of elements. It must also be emphasised that some of the issues are reciprocally influenced. Issues such as

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family, network and face are repeatedly found in different contexts and at different levels. It is therefore, impossible to provide a clear hierarchy of the issues. The table below is by no mean exhaustive and is intended to provide a summary of the major issues that are covered in the chapter. Under each major issue, there are sub-issues that relate to it. And under the sub-issues, the sub, sub-issues are then listed. It is noted that the issues could be sub issues or sub-sub issues and vice versa, as a result of the reciprocal and interwoven relationship between them.

Table 5.1 Major Issues Related to Entrepreneurship - Hong Kong

Entrepreneurship aspects	Major Issues

Capital	• Own savings → family support, family savings, past work experience
	• Informal source of finance
	  ▪ Informal savings club → social network → face, social interaction
	  ▪ Personal borrowings → mutual trust, face, *renqing* → social network
	• Banking facilities → economic structure
	• Distrust of government and financial institutions
	• Choice of industry, business type → minimise initial investment, reduce risk

Knowledge and Skills	• Upbringing → family, social network, social interaction → social gatherings • Education, formal training • Past work experience → sense of belongings → relations with employers
Market Opportunity	• Market information → social gathering → social interaction → family, social network • Past work experience • Motives and intentions

Risk	• Minimise initial investment → choice of industry, business type → reduce risk
	• Management of risk
	  ▪ Backup plan → family savings, family income, social support → family, family values
	  ▪ Part time employment → income, work experience
	• Lack of job security → distrust of employer

Family	• Sense of obligation → family values → cultural values
	• Family name → face, social network, cultural value
	• Family business
	  ▪ Source of capital → family relations → family values
	  ▪ Source of labour → family relations → family values

Network	• Tension between siblings, friends & relatives → social gathering → social interaction, face • Source of labour → trust, obligation → social interaction • Source of market information → social gatherings → social interaction • Social gathering → social interaction→ wealth, face, moral issues • Sources of capital → face, *renqing* → social interaction

Motives & intention	• Monetary reward
	  ▪ Improved living standard → family, family values, face
	  ▪ Social status, face, family name → social interaction
	• Lack of job security → distrust of employers
	• Dissatisfaction with employment →limited pay and promotion opportunity → lack of sense of belonging
	• More control of life → sense of insecurity → social security, distrust of government
	• Social status, face → social interaction

In chapter 6, the accounts of the Shanghai informants on the above aspects will be presented respectively.

CHAPTER 6 - SHANGHAI CHAI FEN NETWORK

In this chapter, a general overview of Shanghai will first be presented. It will then be followed by a brief introduction of the Shanghai network which includes the core informants and their social relations. In the second part of this chapter, the different issues of entrepreneurship will then be presented.

6.1   General Overview – Shanghai

Shanghai (上海), whose name literally means "on the sea", is a major industrial and commercial centre of the People's Republic of China. It is located on the coast of the East China Sea. The municipality covers a total area of 6,300 square kilometres, which includes the city itself, surrounding suburbs, and an agricultural hinterland. It is China's most populous urban area with 16.14 million inhabitants. Shanghai municipality is an administrative entity that is equivalent to a province and directly reportsto the Chinese Central Government. Shanghai is historically a commercial and financial centre of China. The Shanghai Stock Exchange is China's first and largest stock exchange centre. With a population of only 1.3% and a land area of 0.1% of the national total, Shanghai contributes 5% of the nation's GDP and 8% of the nation's total industrial output value.

Shanghai's economy led China in many aspects:
- It has the highest GDP per capital in the league of provinces and municipalities, which amounted to above 3,129 GBP in 2002.
- It has the largest GDP among all mainland cities, accounting for 5% of the national total in 2001.
- It is the largest recipient of foreign direct investment among all mainland cities, accounting for 9% of China's utilised FDI in 2001.
- It has the second largest exports value among all mainland Chinese cities, accounting for 10% of the national total in 2002.
- It has the largest retail sales value of consumer goods among all mainland Chinese cities, which accounted for 5% of the national total in 2001 (HKTDC, 2003).

6.2 Chai Fen Network

Chai Fen Snack Group was set up by Zhao in 1994. The company has its head office in central Shanghai and manufacturing site in the Shanghai outskirts. The main product of the company is preserved fruit. Preserved fruit is one of the most popular snacks in China, its popularity being equivalent to confectionery in the UK. In Shanghai almost every underground station has at least one preserved fruit snack shop to sell preserved plums, peaches, grapes, olives, ginger, and mandarin peel etc. Chai Fen purchases fruits from other provinces and processes them into preserved fruits in their factory. In 2002 the company had over 2000 employees in the factory and 300 staff in its head office.

The founder of Chai Fen, Zhao, set up the business nine years ago at the age of 20. I was given his name by my uncle. My uncle has known Zhao since he was born, because Zhao's father and my uncle have been close friends for many years. Before I went to Shanghai, I contacted my uncle and asked if he knew anyone who was running his/her own business. My uncle asked Zhao's father for help. Zhao's father, Kwok, is the president of Chai Fen Snack Group. Because of their lifelong friendship I did not have any problem in gaining access to the company to talk to the people in the company.

I met Zhao in his office in Chai Fen's head office. The office was set up in a brand new commercial building in central Shanghai. The whole building belongs to Chai Fen and has the group's name printed on the top of the building. I was directed to the General Manager's office. There were five to six men in the office when I arrived. The office was well-equipped with furniture, widescreen TV, stereo, VHS player, DVD, fridge etc. As I did not know Zhao, I was surprised to realise that Zhao was the youngest person in the room. He is in his late twenties, with an average Southern Chinese figure, relatively short and dark in skin. After offering me a seat in the couch and asking if I wanted a drink, the other men left the room and we started our conversation.

At the beginning of the interview, I briefly introduced my background, my research project and the objective of the fieldwork. Then I asked Zhao to tell me

his story of setting up the company and how he managed to make his product one of the biggest snack brand names in the country within ten years. Also in our meeting, we talked about other aspects including his beliefs, family and ultimate goal etc. After our first meeting, I asked Zhao if it is possible to talk to his family, his employees and other people that he knows from work. Zhao told me that it was no problem at all to meet his family and his employees. Also, he promised me that he would try his best to look for other business owners that he knows. The following day when I visited his company again to meet some of his staff, he told me he had contacted a few business owners that he has some business with and a few of them had agreed to meet me. Therefore, in the following weeks I spent most of the time meeting these people and their network. A web of contacts and companies is formed and is referred to as Chai Fen Network, with Zhao and his company Chai Fen as the core part of the network. The network is illustrated in the diagram Fig. 4.2. in p.110.

All the informants and companies in the Chai Fen network are directly or indirectly related to Chai Fen Snack Group, some have business relationships with Chai Fen while others are related to Chai Fen's owner, Zhao. In what follows, a brief introduction of three of the major companies, including Chai Fen, is presented.

6.2.1 Chai Fen Snack Group

The founder of Chai Fen Snack Group, Zhao, was born in Shanghai. He is the youngest member of his family. He has one older brother and one older sister. Like many people in Shanghai, Zhao's family was originally from another province. His parents moved to Shanghai and settled down in the city thirty years ago. Zhao's parents was originally from Chaozhou, hometown of many famous overseas Chinese tycoon including Li Ka Shing of Hong Kong. At the age of 18, Zhao finished his secondary education in Shanghai. At the time he finished his secondary education, Zhao decided to look for business opportunities and so he started working as a salesman of preserved fruit. With his family background he was given some preserved fruit samples which were made in his parents' hometown. After three months intensive door to door selling, Zhao got his very first order and earned his first ever income, 3,000 yuan (around 200 GBP). In the

following months he received a few more orders that encouraged Zhao to set up his own company in Shanghai. In 1992 Zhao set up a small trading firm of preserved fruit in Shanghai. He bought the goods from his hometown and sold them to the retailers in Shanghai. At the time Shanghai began to have supermarkets, Zhao decided to penetrate the supermarket industry and created his own brand name Guobao. It was very successful, which made Chai Fen Snacks the first preserved food company with a recognised brand name in Shanghai. The company has continued to expand since then, and in 1995 Zhao decided to set up its own manufacturing site in Shanghai. Also it has expanded its market to other part of the country and overseas including Hong Kong, Singapore, Taiwan, Thailand and the Philippines.

Like many Chinese businesses, Zhao's family members are working in the same company. His father, Kwok, was a business man in his own right. He was running a factory producing spices such as pepper and chilli powder. When Zhao first started Chai Fen in 1992, Kwok was actively involved in the management of the new company. As Chai Fen expanded in the subsequent years and set up its own manufacturing site in Shanghai, Kwok found it necessary to work there full time. Therefore in 1995 he joined Chai Fen as the President of the group, leaving his nephew Seng, to take care of his spice factory.

Zhao's older brother, Tao was also actively involved in running Chai Fen since it was first set up. Before Zhao set up Chai Fen, Tao was working in his father's spice factory. As Chai Fen grew rapidly, he started working full time in Chai Fen in 1993 as managing director while his younger brother, Zhao, the founder of the company, took the position of General Manager. Now the father and sons are all working in Chai Fen. Kwok, the father and president of the group is in charge of the overall corporate strategy and management. Tao, the eldest son, is mainly in charge of the production of the group while Zhao, the youngest son and the founder of the business is mainly in charge of the sales and marketing of the company.

6.2.2. Meidi Advertising Agency

As the major product of Chai Fen is consumer goods, advertising plays an important part of its marketing strategy. Meidi Advertising Company is Chai Fen's main advertising agent. I was given the name of the founder by Zhao in my second visit to Chai Fen. The owner of Meidi Advertising, Ping, is in her mid forties. Ping has gone a long way to finally start up her own business. She was a university lecturer in the 80s. In late 80s, through a friend's recommendation she joined a local newspaper to work for their finance department. While working in the finance department, she also sold advertising for the newspaper. After two years, she joined a state-owned publishing company and worked as the General Manager for another two years. In 1994, she joined another state-owned publishing company. Her main task was to focus on expanding the company's advertising department. After two years she registered a state-owned advertising company and she became the General Manager of the new company. The ownership of the advertising company still belongs to the state-owned publishing company. In 1998 she *chenbao* of a state-owned advertising company (*chenbao* is a state policy which allows a private entity to take up the management and operation of a state-owned company and be responsible for the profit or loss of the company while the ownership of the company remains belonging to the state). In 2000 Ping decided to set up her own private company. She bought her friend's registered company and started running her own business.

The office of Meidi Advertising is in a multi-storey commercial building called Advertising Exchange Centre. The building has over one hundred advertising companies, some being Meidi's competitors. Meidi Advertising now has twenty members of staff. Apart from acting as general advertising agent, it also acts as sole agent for several newspapers and magazines. Over the years it has focused on travel industry advertisements. In recent years, Ping has been concentrating on travel advertisement books, a new idea that was created by Ping.

I met Ping for the first time in her office. Our first meeting lasted the whole morning, mainly because it was disturbed by several phone calls and other staff. After lunch I asked Ping if I could talk to her employee and family members. Ping asked her assistant, Ding, the vice president, to talk to me and also to arrange

my meetings with other staff. In the following day she introduced me to her family in her home.

6.2.3 *Huali Fashion*

The owner of Huali Fashion, Li, was born in Shanghai but was bought up in a poor village. Li is in her early thirties. At the age of three, Li and her parents were relocated to a rural village following the Cultural Revolution. Li was brought up and educated in the village. As Li's parents were allocated to work in the village by the state, they did not have permission to live or work in any urban area (In China, each person was given a *hukuo* - literally means account or resident account. Basically *hukao* restrict where people can live and work in China. For example, a person with a rural *hukuo* is not allowed to work or live in other rural or urban areas. See Appendix I for further explanation). Having no urban *hukuo*, Li and her sister, therefore, had to stay in the poor village. Li joined a local factory at the age of 18 in the village as a worker. After working there for a year she moved to another factory and was promoted to the position of purchaser. After one year there was an incident that changed her life. A warehouse key was stolen in the factory she worked. Because of this she met a lawyer from Shanghai who then became her friend. Her new friend told her that her family background could entitle her and her parents to obtain Shanghai *hukao* and citizenship. With the help of her friend, Li and her family moved back to Shanghai, twenty years after her parents' relocation to a rural area. Not long after arriving in Shanghai, Li started working as a sales assistant in a fashion shop. After one year she opened her own fashion shop with a friend. During this time she met her future husband, Tian. They got married in 1993. In 1994 she and her husband entered the wholesale section by opening a wholesale shop in the Zhabei District of Shanghai. Now they have two wholesale shops and seven fashion retail shops in Shanghai. Their total annual turnover, according to Guo, their lawyer, has reached 30 million yuan (GBP 2.3 million).

Li's husband, Tian, was brought up in Shanghai. After finishing his secondary education, Tian started working as a salesman in an electrical appliance shop, while at the same time doing some trading of garments from other provinces to Shanghai. Because of this part-time work, he met Li and they got married in

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1993. Now the couple has a seven-year-old son. Before they got married, Tian quit his full time job as a salesman and worked with Li in the fashion business. Now both of them are working full time in their own business. Tian is mainly responsible for purchasing from other provinces while Li is responsible for sales of the goods.

This chapter is organised in the same manner as the last chapter. In what follows, the issues of capital, knowledge, skills, market opportunity and risk will be presented. Following this, the issues of family and network, motives and intention will be examined.

6.3 Capital

Capital, especially start-up capital has been considered one of the key conditions for starting a new business. However, discussions with the informants have revealed a very different way of perceiving and dealing with start-up capital. In this section, how the informants in Shanghai talk about start-up capital in the process of new venture creation is examined.

Zhao, founder of Chai Fen Snack Group, talked about his experience of dealing with start-up capital:

ZK: "When I first started my business, it was a trading business. I didn't need much capital. For me it was the best way, I used other people's money to run my business."

WL: "What do you mean by using other people's money?"

ZK: I started with selling in Shanghai, when I got orders, I informed the factories and they delivered the goods on credit. When I got paid, I paid them back and kept the profit. In a way I didn't need to use a penny in the whole transaction and I could still make money. Of course this is because the factories trusted me in the first place because they knew my family. After a few transactions they knew I wouldn't trick them so they trusted me even more and gave me better credit terms.

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Zhao's account highlight the importance of social networks in providing credit for him to start up his business. Ping, founder of Meidi Advertising, used a different way to deal with start-up capital.

"There was very little initial capital at the beginning, when I first started I chenbao (see Appendix I) the advertising department from a state-owned company. That meant everything was ready, the office, the facilities and the people. So, I didn't need to invest any money in it. I just took over the management and operation and that's it. That is how I started making money for myself. If I needed to set up the office by myself I simply didn't have the money. Nothing could have happened in that case. I had no money at that time."

For other business founders, their own savings were the main source of start-up capital.

"At the time when I had worked as a sales assistant for over one year, I wanted to run my own business. I was tired of making money for my boss. So I started thinking about starting my own business. The starting cost wasn't that much, we needed about 10,000 yuan (700 GBP) to start with. What we needed was to rent a shop and spent a bit on the decoration. Also, we needed some money to buy the garments from Guangdong Province. My husband and I had a bit of savings at that time also we borrowed some from our family and relatives. With that small amount of money we started our first business. Once the goods were sold, we got our money back, with the new money we were able to buy and sell again, and the ball started rolling. It's like a snowball, you start with a small one but it gets bigger once you start rolling. This business is good because money comes quickly and you receive cash when you make a sale. If the snowball rolls quicker, it get bigger much quicker."(Li, founder of Huali Fashion)

For the business founders, because most of them did not have much savings when they started up their business, and it was not feasible for them to work and save up capital. Therefore to start a business with low start-up costs is a common option for them. When the business started to make profit, they used the profit they

earned to expand their business. This, as Li describes, is like rolling a snowball, start with a small one and it gets bigger when it starts rolling.

For those who are employed, some of them expressed that one of the main reasons for working for others is to save up more capital.

"To start up your own business you need some money. No one will give you any money to do that so you need to save it up yourself. My parents are both retired now. They used to work for the state so they have very little savings. Also it's their life long savings that I wouldn't want to touch. But again, it depends on what kind of business you want to run, I don't think I'd start with a factory first because it needs a lot more money to start. I think trading is my thing because of its low start-up cost, and it has better potential. At the moment working for this company is good because we are the xiaolaoban (little owner), we keep our profit if we do well, but still there are certain constraints: somehow it's not your own business. Anyway, this is definitely the best way to accumulate capital. In a way, we were provided the environment to make money of our own."(Qiang, Sales director of Meidi Advertising)

Ping has implemented a *xiaolaoban* policy that each of the main agency contracts of Meidi Advertising gets is assigned to different sales section. Every month each section pays Meidi a certain amount of money, any profit on top of that belongs to manager of the section. According to Ping, this is aimed to have each section to be their own boss so that they would work harder for the company.

From the accounts, it can be inferred that informants, either business founders or employees, expressed that they should rely on themselves in raising start-up capital. The best way to get the required capital to start up their own business is from their own savings. Therefore they deal with it in different ways, they either start a business which requires little initial capital or work for others to save up capital, and many of them do both. From the accounts it can be inferred that the informants have played an active role in raising start-up capital. Informants have consistently expressed that they need to work on it by themselves because *"no one will give you any money"* and so *"you need to sort it out by yourself."*

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Regarding the source of finance from friends and families, many informants do not see it as an option.

"In Shanghai, unless you run your own business and are successful, or have overseas relatives, rarely have people have much savings. In the old days most people were working for the state and they didn't even get paid by cash but by coupons. You took these coupons to the market to exchange all sort of daily necessaries such as, rice, oil, meat etc. With such a low cash income if you can save up 100 yuan (7 GBP) per year it would be very good. Nowadays they don't have these coupons any more and the pay is much higher, but the living costs are even higher. Everything is so expensive and the price simply doesn't match people's income. If you go to the supermarket you can see everything is so expensive. Normally people don't have much savings and even if they do, they won't lend you their savings. It's more important than their life. Besides, why should they lend you money for you to make money? What if you lose? If you make a profit you get the money but if you lose, their money is at risk. I wouldn't do that myself, I wouldn't lend my savings to others."(Tang, founder of Jiangan Packaging Factory)

"I did have a few friends who are rich, but normally I wouldn't want to borrow from them unless I have no other choice. It is difficult to ask, I just couldn't do it. I would 'lose face'. I remember once we needed some money urgently in the factory. I tried to call up some friends to borrow money. It took me at least half an hour to do that, I sat in front of the phone to think of how to ask. I could hear my heartbeat clearly when I was making the call. What a nightmare. It's definitely the most difficult thing in the world. You really need 'thick face skin' (see table 8.1) to borrow money."

In Chinese context, 'thick face skin' is used to describe people who are shameless and not sensitive to other people's feeling for them. From the accounts it can be inferred that borrowing money is a 'shame' and one would 'lose face' (see section 8.4.1.2), so informants would try their best to avoid it. The same can be inferred from the accounts in Hong Kong, that informants describe people who keep

borrowing money from their relatives as having 'no shame'. From the accounts, it can be argued that family and network as a source of capital does not exist 'out there' for the business founders. It can be seen as an option, but the price is high because not only is the interest higher, but also the risk of 'losing face' and owing *renqing* (favour) debt.

6.4 Knowledge and Skills

In this section how the Shanghai informants talked about 'entrepreneurial skills' is examined. From the accounts, informants do not seem to believe that there are 'entrepreneurial skills', they speak of it as just 'simple rules':

"The rule of running a business is simple, you try your best to make money. One way to do this is to buy cheap and sell high, the other way is to sell more. Everyone knows that."(Zhao, founder of Chai Fen Snack Group)

"I never thought that there is any technique that you need to run a business. Everybody can do that. You buy something and find a buyer. You make money from the transaction and that's it. It's such a simple rule that everybody knows. If you ask a primary school student he can tell you this. It's simple, it's only a matter of doing it well or not."(Jiao, salesman of Sky Property)

"The basic rule is simple, you buy and sell at a profit and that's it. Every hawker in the street knows this rule and there's no other way."(quote recalled by the author after a conversation with Long, founder of Fada Trading)

According to the informants, the rule of running business is *'simple'*, *'obvious'* and *'everybody knows'* because it is something people learn from their daily life. This highlights the influence of social environment in shaping people's stated attitudes, beliefs and knowledge. However, this does not mean that there is nothing that needs to be learnt. Informants consistently talked about the skills that are needed to *'do it well'*. They do admit that running a business is more than just *"buy cheap and sell high"*. Therefore, it is necessary to have the right knowledge and skills when running a business. Informants told the story of how they learnt the required knowledge and skills.

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"I learnt from my own experience. Before I started working in advertising industry, I was an accountant in a publishing company. I didn't know anything about advertising so I followed others to sell advertisement columns for a newspaper. I learnt it bit by bit. Because of my academic background, I was teaching business management in the university, and had a good idea of what business is like and how it should be run. But, still it was too different from what actually happened. You can only learn it from experience. That's how I managed it anyway."(Ping, founder of Meidi Advertising)

"There weren't any special skill that you need. I started selling clothes in a fashion shop. The only thing you need to do is pursue your customers to buy your goods. The only main difference is that in running your own business you have to purchase goods as well. Then you need to buy the right goods and then sell it at a profit. There is a lot to learn but I can't tell you exactly how here. You know it when you are actually dealing with it. You can only learn from your work."(Li, founder of Huali Fashion)

The accounts above show the importance of work experience in the learning of entrepreneurship skills. Other informants have similar experience:

"Well, you buy the right goods that the customers like and sell at a price that makes you a profit. There are lots of things to learn here but I can't explain them to you in detail. It does need lots of experience, lots, lots of experience. I remember when I first started, I once sold some shoes to an overseas client and the quality turned out to be really bad. Eventually we had to take them back to the factory. It's important to choose the right factory with good management and quality control. To know all this you need time and experience. I learnt from my experience and I don't think there's any short cut."(Fei, founder of Fada Trading)

"There's a lot to learn in this industry (real estate). Although it seems simple, we act as an agent and sell properties to potential buyers. It looks straightforward but it's not, you need to learn a lot in aspects such as deeds, property rights, legal requirements etc. You need to know what kind of property is allowed to go to

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market. There are some kinds of property like those government flats that you are allowed to use but not allowed to sell, but people sell them anyway. You need to know how to deal with that sort of thing. Also, you need to know how to deal with the state officials. I learnt it from my last job. My first job was working as a property consultant in another real estate company. I worked there for nearly two years. I learnt a lot from that job."(Jing, founder of Sky Properties)

The accounts of the business founders have shown that most of them acquired the skills and knowledge from their work in their own business, while some others learnt from their previous employment. For the people who are currently being employed, being employed is a way to learn:

"I know there is a lot to learn if I want to run my own business, therefore I am learning here. My boss allowed me to take over her role step by step because she wants to focus on something else. It's a very good training for me. I learn from my daily work and I really learnt a lot."(Ding, vice president of Meidi Advertising)

"There is far too much to learn, I don't think I am ready for it. I want to work here for another year or two so that I know better how to run a business. When I think I am ready, I'll definitely step out and create my own business. At the moment the time is not 'mature', financially and technically."(quote recalled by the author from conversation with Wei, Salesman of Sky Property)

From the accounts, a consistent way of speaking about entrepreneurial knowledge and skills is identified. First, informants spoke of the basic rules of running business as *'simple'*, *'easy'* and *'everybody knows'*. Second, informants draw upon their own experience to emphasise that the knowledge and skills in running a business need to be learnt. Third, most of the informants said that they believe one can only learnt these skills through experience. Also informants expressed that they have *'running their own business'* in mind and then deliberately learn the required skills in order to make their dream come true. Some other informants, however, admitted that they started to think about running their own business after working for others. This highlights the importance of work experience to the

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creation of new venture. The above issues will be discussed further in the following chapters.

6.5 Market Opportunity

In this section how informants talk about market opportunity is examined. Like their Hong Kong counterparts, the Shanghai informants believe that the *'right opportunity'* happened to *'appear at the right time'*:

"My hometown Chaozhou is very famous for its preserved fruit. Lots of our friends and relatives are in the preserved fruit industry. Therefore I heard a lot about this industry all the time, in family gatherings, weddings, etc. You know, people talk about business all the time. In this kind of business, selling is the most important aspect. I have some uncles, my fathers' friends or cousins, who promised to supply me preserved fruit on credit, if only I would help them to sell their products. So I had been thinking about it for years. One day, when I was walking in the crowded street in Shanghai, I thought: 'What a big market, if only everyone consumes one pack of our preserved fruit.' So I started selling preserved fruit because I believed there's great chance on it, and I was right."(Zhao, founder of Chai Fen Snack Group)

"There are opportunities everywhere. It depends on whether you grasp it or not. Shanghai is such a big city and it's developing so quickly. Everyday there are many new-born millionaires."(quote recalled by the author from conversation with Tian, co-founder of Huali Fashion)

Apart from the sudden 'emergence' of 'opportunity', many other business founders started to 'realise the opportunities' from their work experience.

"When I had worked as a sales assistant for a few months, I saw all those buying and selling practices. Business was very good and I saw my boss making very good money. I thought it's an easy job, if she can do it, why can't I? I was the one who sold the clothes for her anyway. What I needed was to buy the goods. I knew where she bought the goods. So I decided to give it a try. There were people who came a long way to Shanghai for shopping everyday, so there must be some

opportunities to open a fashion shop. At that time, I didn't think of anything else. I thought it is easy and other people are doing it, so can I, so I did."(Li, founder of Huali Fashion)

"When I was working for that real estate company, there were lots of people buying and selling everyday. The company simply couldn't deal with them all. So I thought it must stand a chance if I open a new company. The property market has been very busy in the last few years and it's likely that it'll carry on like this. Shanghai is such a big city with so many people, and finding a place to live is what people need. You can't go wrong in this industry. So I decided to start my own company."(Jing, founder of Sky Properties)

"When I was teaching in the university, the job was pretty relaxed. As you know, working for the state at that time was an 'iron bowl'. At that time, I had to go to villages to teach plant managers. I got extra pay for that, but it was exhausting. Therefore I quit my job and joined a newspaper. At that time nobody wanted to hire someone who used to have an 'iron bowl'. Especially a woman of my age, so through a friend's recommendation I was given a job to work in the Finance Department of a publishing company. In that company everybody can sell advertisement columns, so I did. Amazingly I made 50,000 (3,570 GBP) in the first year. I started to realise that you can make money in this way. After working in this industry (advertising) for a few years, I could see there is lots of potential in this industry. The business was growing steadily. You know, Shanghai has changed a lot in the last ten years and all industries are growing. So I thought it is the right time to start my own business to grasp this opportunity. A friend of mine registered a private company but for some reasons he didn't use it, so I bought it from him. It's a lot easier than registering a new company on my own. It's complicated, time consuming and not cheap. So I used this ready-made company instead."(Ping, founder of Meidi Advertising)

Informants talked about opportunity in a consistent way, informants consistently expressed that opportunity creates entrepreneurship and that opportunities exist 'out there' or just happen to 'appear' at the right time. Like their Hong Kong informants, the Shanghai informants talked about opportunities in a similar way:

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'the market is growing, I believe there is opportunity', 'lots of people are taking advantage of it, I can't see why I can't', "she can do it, why can't I?". From the accounts it can be inferred that business founders have played an active role in identifying opportunities. Also it draw attention to the impact of social relations in shaping the way people 'realising opportunities'. In short, the major issues that can be identified from the above accounts are the importance of social networks, social interaction, past work experience and also the motives and intentions in starting up a new business.

6.6 Risk

From the accounts, it is possible to identify two different ways of talking about risk in running their own business. Some people expressed that they do not see running their own business as risky while some others hold different views.

WL: What do you think about the risks in running your own business?

"I never think it is risky to run your own business. Working for others they can fire you whenever they want. What security has it? Even working for the state you have no job security at all, look at all these xiagang (redundant) people in the street. I think it is even more risky"(Tian, co-founder of Huali Fashion)

Due to the reform and privatisation of state-owned companies in the last few years, a large number of state workers were made redundant. As most of those who were made redundant are middle aged factory workers, it is difficult for them to look for a new job. Nowadays in every job centre there are many *xiagang* (redundant) workers waiting outside. This has become a common social phenomenon in Shanghai and has created major social problems over the years.

"Some people might think it is more risky, but life is never free of risk, one way or the other. Running your own business, you have to bear the risk of losing money. But working for others you have to bear the risk of losing your job."(Zhao, founder of Chai Fen Snack.)

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"It is difficult to say. In the old days, working for the state was an 'iron bowl' that would never break. But it has broken in recent years. You just need to look at how many people have been made redundant in the last few years. The sad thing is these people are too young to get a pension and too old to learn new things. Isn't it risky? With your own business, at least you have <u>better control of your life</u>. If the business fails, you know it and you know it's time to go. Much better than those who show up in the factory one day and realise that they have to go."(Kevin, founder of BHAM IT)

A lack of job security can be identified from the informants' accounts. On the other hand, running a business is positively related to "better control of your life".

"It may be more <u>risky</u> but it's more <u>realistic</u>. <u>Your life will be really tough</u> if you work for others. The best is you get a pension when you retire, but still it's really tough. Both my parents are retired now and the pensions they get per month are <u>pathetic</u>. If you look at the prices in the food market and look at their pension, you know it's just <u>impossible to live on</u>, and this is a better situation. Not to mention those who were made redundant in the last few years. They get absolutely nothing, no job, no money, some not even having a place to live. It is <u>necessary</u> to run your own business although it may be risky."(Li, founder of Huali Fashion)

Again, the negative meaning of being employed was emphasised by the informants. From the accounts it can be inferred that although informants recognise that running their own business is risky, when compared with working for others, which is related to *"pathetic pay", "impossible to live on"* and may *"loss your job"*, informants express that it is more *"realistic"* to run their own business. Some informants admitted that they faced a dilemmas in this respect. Ping, the founder of Meidi Advertising, told me of the dilemma she faced when she was trying to create her own business a few years ago.

"It wasn't an easy decision for me. Before I xiahai (down to sea, see Appendix I) I was working as a lecturer in a University. I had a stable income, labour insurance, accommodation and retirement pension etc. If I were to quit my job, I

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would have to sacrifice all these. If I was younger, it would have been a lot easier because I could have just started all over again. But I was nearly 40 years old, I simply couldn't start again. I didn't have the time. So it was a difficult situation for me. My husband wasn't supportive at all. But when I saw all those people who used to be a lot worse off and had became so much better off, I told myself I must do it, otherwise I would have to spend the rest of my life living in this 16 square meters flat."

Again Ping's account highlights the influence of social relations in shaping informants' motives to start up their own business. Being influenced by the fact that "*others*" were "*better off*", Ping stepped out and "*sacrificed*" all the benefits she used to have.

"I think it is riskier than working for others. Being employed, you don't have to worry about other things when you finish work. Working for yourself, you have to worry about it round the clock, and if it loses, you lose. Besides, <u>there's no stable income</u>. But being employed you have no stable income anyway. When I was working as a sales assistant, the money I got depended on how much I sold. The difference is that in working for others, the best you get is your limited pay, but with your own company you have no limit, you can be poor, can be rich or even famous. You have a chance so why not?"(Li, founder of Huali Fashion)

From the accounts, it can be inferred that for the informants, risk may be a factor in the process of new venture creation, but being employed is not less risky. According to the informants, the biggest risk of being employed is that they may be made *xiagang* (redundant) without any advance notice. Therefore, instead of "*waiting for others to decide their fate*", the business founders deal with it. Despite the risk expressed by the informants, the negative aspects of being employed, which include limited pay, lack of job prospects and job security are repeatedly talked about. On the other hand, the positive aspects of running a new business – "*more control of your life*", "*have a chance*", "*be rich*", "*be famous*" are widely talked about in the informants' accounts. From the accounts it can be inferred that these understandings are shared and reinforced among the social group through social interaction. As a consequence, informants consistently

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expressed that running their own business is "better" or even *"a thousand times better"*.

Regarding the perceived risk in creating a new business, the Shanghai informants have their ways of dealing with it. One of the common ways is to minimise the initial investment.

"At the beginning I didn't just start a private company. It's far too expensive, complicated and too risky. Instead I chengbao (took over the operation) of a state-owned company. I thought the worst case is if the company doesn't make money, then I have to go but at least I don't need to bear the risk of losing money. Two years after I chenbao the business, it was getting better. We had some long-term agency contracts with some newspapers and magazines. I thought the business was mature enough to survive on its own. Therefore I brought all the people in the old company and started up my own advertising company. As all the sales were handled by the same group of people, it didn't affect our business when starting up a private company."(Ping, founder of Meidi Advertising)

Like the Hong Kong business founders, many business founders chose the kind of business that did not require heavy start-up investment. Zhao, for example, chose a trading business to start with.

"I started with trading because you don't need much money to start with. Good thing was I had this credibility that I was supplied the goods on credit. The factories knew my family so they supplied the goods on credit. Once I got paid from the customers, I paid them right away. After four years, I had accumulated enough capital from the profit I made from trading, therefore I decided to set up my own factory in Shanghai so that I could be in more control of the operation and earn higher profits. Running a business, you have to do it step by step, otherwise you could end up losing all your savings and probably in heavy debt. This is not my way of doing things, I prefer step by step. I might not make as much as others, but it's less risky."(Zhao, founder of Chai Fen Snack Group)

Other business founders have similar experiences of starting up a new business:

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"I started this IT company last year. The reason I started this business is because of the <u>prospects</u> and the <u>low investment</u>. The good thing is in an IT software business you don't need other investments. We share this office with another company so that the rent is lower. Apart from that, we need two computers, I have it at home anyway so there's no extra investment. It was quite a big decision because I don't get regular pay from this new company. All our living costs are dependent on <u>my wife's salary</u>. She is working in a foreign company and her pay is pretty good, otherwise I would not have stepped out. She's been very supportive to me all these time. I gave myself two years, if it doesn't work out, then I'd shut it down and go back to work for others, it's not the end of the world. We are still young." (James, founder of BHAM IT)

Like their Hong Kong informants, from the accounts, it can be inferred that Shanghai informants do not speak of running their own business as more 'risky'. For some informants it is a less risky option than being employed. Informants repeatedly draw upon the past experience of their own or their social relations to express that being employed, one could be fired one day without any advance notice. That would put them in a worse position. One way to avoid this 'risk' is to create their own business so that they did not have to worry about being fired. Therefore for some informants, creating a new venture is one way of minimising risk. When setting up their own business, most of the business founders do not see it as a risky step, although they do recognise that there are uncertainties. Because of this, they have their ways to cope with these uncertainties.

A common way to manage their risk is to minimise the start-up capital by *chenbao* of state-owned companies so that no initial investment is required. Another way is to choose a business type with low start-up costs such as a trading firm. Also, some chose to work part-time in their own business. In addition, some business founders have their spouse working full time in other companies to maintain their basic living. The analysis above highlights the importance of family support, both emotionally and financially. Also, they maintained their expenses at the minimum level during the 'most risky' period in order to minimise the risk of being in debt.

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In addition, they had plans for the worst scenario: in case the business did not work out, they would shut down the business and go back to working for others.

6.7 Family

Unlike in conversation with the Hong Kong informants, the Shanghai informants rarely talked about their family when talking about their work and businesses. However, when I started the topic by asking about their family, the Shanghai informants talked about their family in a similar way.

"For me, nothing is more important than family. You work hard for your family. I think this is the same for everybody. Without your family what is the point of working hard?"(Zhao, founder of Chai Fen Snack Group)

"Family of course is important to me, nothing is more important. For me, my son is my life. If I lose everything in the world, it's fine as long as my son is still with me. I can always start over again. But if I have everything in the world but no family, I can never start again because I have nothing to start for."(Li, founder of Huali Fashion)

"Nothing is more important than my family. I've been working so hard all my life because I want my son to have a better life. He's now doing a law practising certificate in the UK. He was qualified as a lawyer in China before studying abroad. I want him to have better education so that he can have a more promising career. Also while he's abroad, I hope he can find some business opportunities there."(quote recalled by the author from conversation with Guo, partner of Hai Wai Law Firm)

Informants repeatedly express the importance of their family to their life and their ultimate goal in their conversation. However, a difference in the meaning of family can be identified between the Shanghai and Hong Kong informants. For the Hong Kong informants, family refers to parents, spouse and children, while for the Shanghai informants, they only talked about their spouse and children but rarely have they mentioned their parents. From the accounts it can be inferred that

the Shanghai informants have a sense of obligation to their children but not to their parents. Following this aspect, I asked about their obligation to their parents.

"Every parent wants their children to have a good living, same with my parents. As long as I am doing fine, my parents will be satisfied. I don't think they expect anything from me, though I give them money occasionally."(Li, founder of Huali Fashion)

"My parents have their own pension and savings. I don't have to worry about their living. I have more than enough to worry about my living."(Ding, vice president of Meidi Advertising)

The informants' accounts show a very different sense of obligation to their parents. It can be inferred that their family values are different from the Hong Kong informants. This issue will be discussed further in section 8.3.1.

From the accounts that are presented above, it can be inferred that family plays a key role in the process of new venture creation in the aspects of capital, labour and social support. In the following section how individuals talk about their relationship with their family in these aspects will be examined.

6.7.1 Family and business – source of capital

In this section, the relationship between family and sources of capital will be discussed. For the business founders, the start-up capital is mainly from their own and their spouses' income. In section 6.5, Li, the founder of Huali Fashion, mentioned that her start-up capital was from her and her husband's savings. Other informants have spoken of similar sources of capital.

"The start-up capital was mainly from my wife and my savings. I had been working in a foreign company for two years since I came back from England. So I had some savings, my wife had been working for five years so she had some savings as well. We needed to put our savings together otherwise it's not enough."(James, founder of BHAM IT)

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I asked the informants if other family members, apart from their spouses', had provided any source of capital.

"Yes, I borrowed some money from my parents and sisters, but not a lot. My parents used to work for the state so they didn't have much savings. Regarding my sisters, they had their own businesses so they needed the money for themselves. They wanted to help but they couldn't. Also we borrowed some money from our relatives. We needed to borrow from many people because most of them did not have much savings."(Li, founder of Huali Fashion)

"I didn't ask my parents for money. They didn't have much and it is very important to them. They wouldn't lend it to me. Therefore I needed to rely on myself. That's why I'm working here now. (Ding, vice president of Meidi Advertising)

"Normally you wouldn't ask your parents for money. I don't know many people who borrow from their parents. Most of them use their own savings. I used my own savings from my income in my previous employment."(quote recalled from conversation with Jing, founder of Sky Property)

A different meaning of family can be identified when compared with the accounts of Hong Kong informants. For the Shanghai informants, they use '*borrow*' and '*lend*' when talking about their parents' savings while Hong Kong informants have used '*our money*', '*our family savings*' when talking about their parents' savings. This has shown different family values between the two cities. This issue will be discussed in depth in section 8.3.1.

6.7.2 Family and human resource

The accounts above have shown that family members play a key role as human resources in the process of new venture creation. Zhao, founder of Chai Fen Snack Group, talked about the reason he and his family work together in the same business.

"In the beginning I started selling on my own. Then when the business get better I had my brother to help me. With this kind of business you can't leave it to other people. If they sell it for you, the order is no longer yours. With the orders they can start up their own business. We only hired other people when the business was getting big and we couldn't do anything ourselves, so we had to hire other people. But, still the top management has to stay in the family. Now the company's president is my father, I am the General Manager and my older brother is the Vice President. It doesn't matter who holds what position, the business belongs to the family."

Zhao's brother, Tao, talked about why he joined the business that was started up by his younger brother.

"We always kept our eyes on this business. At one point when we saw that the business was getting bigger and more promising. We thought it was the right time for me to work there full time. After all it is our business."

WL: Who's business is it actually?

"There's <u>no such thing who's business</u> it is. It's <u>our business, the business belonged to the family and we are part of the family.</u> We don't have any boundary in between like yours or mine. Everything goes to the family and we are family."

Zhao's father, the president of Chai Fen Snack Group, talked about his family business in the same manner:

"It was my youngest son who started up this business, but we were all involved in the business all the time. It's just that he spent more time on it. At the time when we think it's time to expand. It's a natural thing for my eldest son to join so that they can take care of different section. Although I am now the president but there's no such thing as who's in charge or who's more important. We are all equally important in the company. We have different duties and we know it's our responsibility to make it work. It's our family and <u>family name</u> that we are working for."

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From the accounts of the father and sons, it can be inferred that there are strong bonds between the family members. For the informants, business belongs to the family therefore family members work hard for their business. According to Zhao, family, family members and the business are inseparable. Other business founders talked about their family members, mainly spouse, in a similar manner.

"I started this company with my husband, and it was a __natural__ thing to do. With your family you know you don't have to worry about being betrayed. But with other people you don't know what will happen. You can leave people to do lots of things, but what about your money? You can't leave your money to other people. When we first started the business we needed to bring cash to Guangzhou city to buy goods. Another one had to stay in Shanghai to sell the goods, and we needed to fully trust each other. I knew he wouldn't run away with the money and he knew I wouldn't keep the money from the sales. Otherwise the business simply wouldn't work. Even now we are still working together. The business has grown much bigger but still we have to keep an eye on it. Of course we need to trust our staff to a certain extent. We have seven shops and everyday there is lots of cash in and out, but we just have to trust them otherwise the business won't survive."(Li, founder of Huali Fashion)

The accounts above have demonstrated a notion of trust between family members and distrust between other employees. Also it can be inferred that family members are preferred to outsiders because they are more 'trustworthy'. Another business founder, Ping, talked about the employees in her business and how it's different from family business.

"When I first chenbao this state-owned advertising company, it had very few staff and they didn't go to work everyday. They only went to the office three days a week and hung around the office when they were there. So I knew I needed to make a change. I wanted the advertising department to sell advertisements of the publishing company and also become an agent of other media. At that time it was not permitted to start up a private advertising company. Advertising companies had to be owned by state-owned enterprises. So I registered a state-owned

advertising company. After the company was set up, there was nobody in the company. I mean nobody worked in the company. The staff members were those who used to work in the state-owned enterprises. They were not up to standard at all. So I got rid of them all and hired new staff. We advertised in the newspaper to recruit new staff. I had no experience before, I remember one of the staff told me when I was interviewing her my voice was shaking. I had no experience so I had to learn step by step."

"I started recruiting. Each time we hired like 10 people, those who were good I'd keep them, otherwise I asked them to leave. At that time there was no legal restriction so I could hire and fire them whenever I wanted. After one year and 6-7 rounds of recruitment, we finally had 12 people staying with the company. These are the people who were 'tong xin tong de' (同心同德 - same heart and same ethic, people who are sharing the same culture, value and belief). We didn't just share the same culture but also they had very good working ability. With these people, an advertising company began to emerge."

WL: do you hire any family member in your company?

No, not at all. Actually if I want I can. Like my father-in-law he's a retired accountant and he could come to the company to take care of the accounts department. But I don't want to make things too complicated. With my staff if I think they are no good I can criticise them or even fire them. But with your relatives you simply can't do that. Also it'd have a bad impact on other staff because they would think these huang qin guo qi (皇親國戚 refer to royal family) are privileged. This would influence other staff's morale because they'd think they are second class. I know far too many family businesses having all sorts of problems with their family members in the company. I don't want this to happen in my company."

WL: What about your husband? Do you ever think it'd be helpful if he had started the company with you?

He's been working as an editor in a state-owned magazine for over 20 years. He hasn't changed his job at all. There is a big gap between us. I'd have to pull him all the way. For example, he never wanted to take a taxi in the past, but in the last few years I've trained him to take a taxi. I really have to pull him all the way. I'm really tired of it. Upstairs there's another advertising company, a husband and wife business. Actually in dealing with business it is always better to have the man to deal with negotiation. For a businesswoman, the younger the better. Whenever I go out to meet people, they'd start with little confidence in me, but I am not stupid, so after a while they'd have confidence in me. When they first met me people would think I'm more like a housewife, a conservative woman. Therefore it really is easier for a man to deal with them. I am really tired of it, if my husband was better, more supportive and works with me in the business, it would be a lot easier for me. You know, with your business there are some things that you simply can't leave to other people. But I don't have anyone so I have to do it myself."

From the above account a particular way of speaking about family business is identified. It can be inferred that business founders believe that having family members working in the business is better because they *are 'absolutely trustworthy'* and therefore are *'less risky'* than hiring people from outside. In Ping's case, although she doesn't have any core family members in her company, from her account it can be inferred that she is keen on having family members working in her company. However, for a non-relative employees, a non-family business is preferred.

"The good thing of working in this company is that it's not a family business. Things are more complicated in a family business. I used to work for a husband and wife family business. They just made the decisions on their own and you never got involved. Also you know you are inferior to the family members and you'll never get to the top. Fair enough because it's not your business. The business belongs to their family, and they can do whatever they want to their property." (Ding, vice president of Meidi Advertising)

From the accounts, it is possible to identify a particular way of speaking about family business. For the informants, business belongs to the founders' family and therefore it is a *'natural thing'* for family members to work in the business. For the business founders, having their family members working together is preferred because they are more *'trustworthy'* and *'devoted'*. However, for the non family members, a family business is not preferred because of the non-related employees' prospects in the business is *'clearly limited'*. Like the Hong Kong informants, family members in this case refer to core family members. As regarding their distant families, friends and relations, informants talked about it with mixed feelings. In what follows, how informants talk about their social relations in different aspects will be examined.

6.8 Social networks

6.8.1 Social network – source of capital
In Section 6.5 the issue of sources of capital from social networks has been discussed. According to the informants, personal borrowings from friends and relatives provides a source of unsecured loans that informants can obtain in a very short period of time. However, because of the economic history in China, social networks are not always an available source of capital. Personal borrowing also raised the issue of face, *renqing* (favour), reputation and thus the 'credit rating' of the borrowers. It also highlighted the importance of social interaction in the social group and how it influences individuals' attitudes and expectations towards other members of the social group. The issue of social interaction will be discussed further in chapter 8.

6.8.2 Social Network – human resource
The accounts of informants have shown little ties between the business founders and their kinship. Most of the informants, except Zhao and his family, have hired their relatives in their companies. The majority of the other business founders did not hire their relatives to work in their companies. In Section 6.8.1 the account of Ping, the founder of Meidi Advertising was presented. According to her, she did not want to have her relatives in her company because she did not want her company to become a family business. However, she expressed that she hoped

her husband could join her company to share her work. From the account, a different meaning of family business is identified. According to Ping, family business refer to the business with the owners' relatives in the company, while husband and wife businesses do not seem to be family businesses. This meaning can also be identified from other informants' account.

Li, founder of Huali Fashion, set up her fashion business with her husband. According to Li, hiring friends or relatives is not so simple.

"I don't like to hire relatives or friends. If you hire people from outside, if they are no good, you can just fire them. But with friends or relatives, you have to think twice. You can't fire them so easily because you have to worry about what they say about you in your social network."(Li, founder of Huali Fashion)

"When you set up your company, you realise that many of your relatives and friends want you to offer them a job. I never hire any of them. The trouble is if you hire one, you have to hire many, otherwise they will say you give face to 'so and so' and not to them. If you don't hire any, then they will say you are arrogant now, and you slight them. You can't win. But still it's better not to hire any, otherwise there'd be endless problems."

WL: What sort of problems?

"First, because you know them, if they are no good, you can't criticise them as you do to others. You have to 'give them face'(see section 8.4.1.2 for explanation of face). The other thing is when they are working in your company, they'll know a lot more about you and your financial status. You don't want your relatives to know too much about this. Also if you have them in the company, other employees will think they are second class because of the 'royal family' in the business. This will affect the staff morale."(Jing, founder of Sky Property)

Despite the unwillingness to hire social relations, some informants found it their obligation to hire their friends and relatives.

"My nephew graduated last year and he couldn't get a job. So, as his uncle I found it necessary to help him. I had him come to my company to work as a messenger. I hope by working here he can learn a bit more about business so that he can work in other companies in the future."(quote recalled from conversation with Guo, partner of Hai Wai Law Firm)

"It is difficult to get a job in Shanghai, unless you want to take those very low pay jobs. So as a business owner I have many friends and relatives come to me for jobs. I can't turn them all down. Sometimes when I have vacancies I would consider them first, after all I know them better and they are more trustworthy than outsiders. The other thing is, I have the chance to help my relatives."(Tang, founder of Jiangan Packaging Factory)

The accounts above have shown that business founders have revealed their dilemma in hiring their social relations. On one hand they thought that it was more complicated because it involved the issue of face and staff morale, on the other hand it raised the issue of obligation and trust. Social relations as sources of capital, therefore, cannot be seen as a resource that exists 'out there' as suggested in the literature. The issues that mentioned above will be discussed further in chapter 8.

6.8.3 Role model, mentor and competitor

Like their Hong Kong counterparts, informants in Shanghai strongly deny that they have any role model or concern about other people's achievement. Zhao, founder of Chai Fen Snack, is the only one who admits that he has a role model:

"The person who influenced me the most is my father. I learnt a lot from him. He didn't really teach me anything on purpose but I do think he influenced me a lot. When I was younger I used to go with him on business trips. I learnt a lot from what he did."

In Chinese society, it is highly regarded if one sees his/her father or grandfather as role model. There are tales which tell how people inherited their fathers'

intelligence and ability and became someone successful in their own right. Zhao showed me a magazine with him on the cover, inside there are pictures of him, his father and brother. They are regarded as *yi men san jei* (一門三傑 one family, three outstanding persons), this is a great honour to the family and family name.

Other informants, however, deny that they have any role model, mentor or any person they look up to.

"Why should I compare myself with others? There's always people better off and a lot more worse off"(Ping, founder of Meidi Advertising)

"I never look at how other people are doing. I do what I do."(Li, founder of Jiangan Packaging Factory)

Although informants strongly deny that they have any role models or mentors, in our conversation a consistent way of referring to other people in their social group can be identified. Informants referred to these people mainly based on their monetary achievement.

"I have been working in this building for two years. I have seen many people who rode their bike to start their business in this building and many of them are driving BMW now. If you go to the car park downstairs you can see how many BMW parking there. The couple upstairs bought a new apartment in xujiahui, a expensive area in Shanghai."(Ding, sales director of Meidi Advertising)

"When you see other people being successful, you <u>don't want to be left behind</u>. Like Zhao (founder of Chai Fen Snack Group), he has been so successful and has made so much money in such a short time. <u>Everybody that we know talks about this</u>. He was even on a cover of a magazine. When you see these people in our social gatherings, you feel that you are inferior to them and the feeling is so bad."(Li, founder of Huali Fashion)

"I remember that there was once this person who used to send mooncake (festive food) to my family for the Lantern Festival. All out of a sudden he became rich in the last few years. So lots of our relatives talk about him and people take him seriously now. Money is so important. The feeling is bad when you swap your position. You used to be better off and people sent gifts to flatter you, suddenly jia fan bian ji fang (甲方變乙方 - the other way around and these people have the upper hand). Things like this happen every day and you just have to fight your way back."(Jing, founder of Sky Property)

It is a tradition for Chinese to give festive foods in festivals to friends, relatives and other people they want to keep good relations with. In China it is a common way for people to please their boss, state officials or people they think would be useful to them.

Ping, founder of Meidi Advertising, tells her story of how she managed to make a difference to her life by comparing herself with her social relations:

"It's a big difference. Some of my classmates were a lot better off before. I was sent to a rural area because I was the oldest child in my family. They were not the eldest child so they didn't have to go the rural areas, they got allocated to better danwei (work unit, government department) and they got promoted to better position. They were better off at that time. But after twenty years when we meet again, there's a big difference between us, when I am making 10,000 yuan (700 GBP) a month, they are still making 500 yuan (36 GBP) a month. Also they were facing the problem of being redundant, this is such a big change. A classmate of mine is now working for me in my company since he was made redundant last year."

"A few days ago there were four of us, my husband and I, and two of my classmates who are still working for the state. Their income was about 2000 (140 GBP) per month, but they are state-owned magazine editors, pretty senior positions already. When we were out, I can tell they were counting on every penny spent. They were very careful in spending. For example, taxi, food,

accommodation etc. They'd choose the cheapest possible option. They were extremely cautious about spending, I felt very uncomfortable. I just want to be comfortable. I can't stand it any more. I am used to taking a taxi when I go out and choose a more comfortable option rather than counting every penny." (Ping, founder of Meidi Advertising)

From the accounts, informants continuously refer to the other people when talking about their own situation. They tend to compare themselves with others, how well they are doing, as compared with how well their social relations are. Also they continuously draw upon the experience and situations of themselves and their social relations when telling their stories. This highlights the importance of social relations and social interaction. These issues will be discussed further in chapter 7 and 8.

6.9 Motives and Intentions

In this section, how informants talk about entrepreneurship, their motives, intention and reasons are presented.

"To run your own business you <u>have a chance</u>. A chance to <u>prove yourself</u>. A chance to <u>make money</u> and to have <u>better living</u>."(Long, founder of Fada Trading)

"To make money. <u>To make more money</u>. I can't see anything else that is more important than this."(Li, founder of Huali Fashion)

"Of course the main reason is to <u>make more money, without money other things are just empty talking</u>."(Tang, founder of Jiangan Packaging)

Like the informants in Hong Kong, the informants in Shanghai emphasised the importance of monetary reward in running their own business. *'Make money'* and *'make more money'* are repeatedly mentioned when talking about the reason of running their own business. In addition to monetary reward, capability is another issue that is mentioned by the informants. Zhao, the founder of Chai Fen Snack Group, told his story of stepping out.

ZK: At the age of 18, when I finished secondary school. I didn't want to carry on studying any more. I was not interested in it. Instead I was interested in running a business. My father is a businessman and I used to go with him on business trips. It was amazing. I told myself this is exactly what I want to do when I grow up. Therefore when I finally finished my secondary education at the age of 18, I told my father I wanted to run my own business. As the youngest son, my parents thought I was too young, but I insisted. Therefore my father agreed to let me try.

WL: Why didn't you look for a job when you were graduated?

ZK: What is the point of being employed if you know you are <u>capable</u> of being your own boss? Besides, with my education it's unlikely that I can get a good job. Even if you are an university graduate you are not guaranteed a good job. The government does not allocate jobs any more. I don't want to work for others and <u>waste my ability</u> on other people's business. I want to have my own business, to <u>make money for myself</u>. I don't see the point of working for others. It's just a <u>waste of time</u>.

In Zhao's account, he repeatedly uses '*capable*' when referring to running his own business and '*waste of ability*', '*waste of time*' when referring to being employed. I carry on our conversation on this issue:

WL: Why do you think it's a waste of time to work for others?

"Because no matter how much effort I make, I only have a very <u>limited income</u>. I know myself, I know I won't be able to work hard if it isn't my own business. With you own business you <u>have a future</u>. Working for others you have to <u>work until you drop</u>. I don't want that."(Zhao, founder of Chai Fen Snack Group)

A major issue that can be identified from Zhao's account is that running a business is positively related to one's capability and working ability. He has repeatedly used expressions such as "*limited income*", "*waste of time*", "*waste of ability*", "*work until you drop*" when talking about being employed.

Other business founders have talked about running their own business and being employed in a similar tone:

"Before I xiahai (down to sea, see Appendix I) I was working as a lecturer in a University. It was stable but the pay was too bad and life was very tough. Each month my husband and my income was not more than 1,000 yuan (70 GBP). I remember at that time when we went shopping we dared not look at the price, everything could cost us our monthly income easily. The place we lived was provided by the danwei (work unit), It was about 16 square meters in total, no gas, no toilet. It wasn't easy to get that in the first place, we were allocated this flat because my working performance was recognised by our leader. Now even my son's bedroom is two times bigger than the whole flat that our family used to live. That tells the different between xiahai and 'iron bowl'."(Ping, founder of Meidi Advertising)

In Ping's account, a dissatisfaction with their income and living standard can be identified. This is also shown in other informants' accounts. Lai, one of the sales directors of Meidi Advertising, has run several businesses before but was not very successful. He told me why he wanted to run his own business:

"Being employed you have fixed income and the pay is pathetic. You simply can't live on it. If you are lucky you get 1,000 yuan (71 GBP) a month. If you go to a relatively good restaurant it could cost you the whole month's salary easily. The only way is to run your own business. I have seen many people around me who have become millionaires after being their own bosses. I wasn't successful in the past but it doesn't mean that I won't be successful in the future. If there's right opportunity, I am sure I'll step out again. In here it's much better than other companies. The main reason is because of the xiaolaoban (小老闆 - little owner) policy"

According to Ding and Lai, the vice president and sales director, the xiaolaoban policy provides the best way for them to have the benefit of running their own business while at the same time avoid the potential risks.

Apart from dissatisfaction with their current income and living standard, another reason that encourages informants to create their own business is the influence of social relations. Informants continuously draw upon their social relations to support their judgements of running a business.

Li, business founder of Huali Fashion talking about her decision to run her own business:

"When I was working as a sales assistant, I worked very hard. Of course I got more pay when I sold more because my income was based on commission. But then I thought: 'if my boss can do it, why can't I?' What is the point of working so hard to make money for others? It was me who sold the clothes, it should be me who got the most money, so I decided to do it myself."

WL: So you thought that running your own business you'd be better off?

L: A thousand times better off, no doubt about it. (WL: why?) With your own business the money you made is yours. You can spend as much as you like. Working for others, firstly, the money you make for the company is not yours, you can't spend it. Secondly, the pay is very limited. You don't have much to spend. Thirdly, you only get paid while you work, by the time you stop working, you've no income. When I was working as a sales assistant, everyday I had to stand twelve hours in the shop while my boss only came once a while. I knew if I stopped, I would have no income so I had to work long hours. Now I have my own business and I can sit here with you, have a cup of tea while my employees are working, making money for me, that's the different"(Li, founder of Huali Fashion)

"Opening my own law firm is a natural thing for me to do. Before I started my own law firm I was working for the state as a lawyer. The social status was high to work in such a position but the pay was low. What I'm earning now is ten times more than what I used to earn, although I need to work harder and longer hours. I feel that I'm making good use of time and my ability. Working for the state, you get an iron bowl, and you have all the chance to eat out, drink, receive gifts etc

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but you can't actually keep it. Also you have to be very careful because you could end up get caught with bad things, (WL: bad things?) Bad things, you know, bribery, corruption all sort of things. It's not worth it, even if you could make more through various channels, you have to worry to death about these bad things. It's much better to run your own law firm that you can openly make money of your own and owe no explanation to the public."(Guo, partner of Hai Wai Law Firm)

Similar to the cases in Hong Kong, from the conversations with the Shanghai informants it is possible to identify a particular way of speaking about *'be your own boss'* and *'being employed'*. In the past *xiahai* (down to sea) used to carry negative meanings in describing people's decision to quit their job from the state and go to industry. On the other hand, 'iron bowl' carried positive meanings which meant a secured job. From the accounts, it can be inferred that informants see these terms were used *'in the old days'* and are *'no longer the case'* because they are *'old fashioned'* and *'out-of-date'*. Nowadays *xiahai* is used to describe people who are innovative, capable and opportunistic while having a 'iron bowl' carries meanings of limited pay, no future and pathetic life. This has shown a change in shared meanings in the social group, which indicates that shared meaning is continuously shaped and re-shaped among the social group.

From the accounts it can be inferred that informants related *'running your own business'* to positive aspects such as *'make more money'*, *'stand a chance'*, *'more control of your life'*, *'better living standard'*, *'capable person'*. By the same token, negative meanings are identified when they talk about being employed. Informants continuously use terms such as *'limited income'*, *'making money for others'*, *'work until you drop'*, *'pathetic pay'* when talking about working for others. Major issues are their strong dissatisfaction they have showed with their living standard, sense of insecurity about their future and a lack of job security. Also it highlights the issue that *'being your own boss'* is related to better working capability and making good use of time and ability. In addition, it highlights the importance of social relations in shaping the informants' stated motives and intention to start up their own business. The above issues will be discussed respectively in the following chapters.

6.10 Summary

This chapter started with the background of Chai Fen Snack Group and its related companies. Through conversations with the business founders, their family and social networks, meanings related to entrepreneurship are constructed. From the accounts issues related to entrepreneurship, capital, market opportunity, family and network are identified and summarised in table 6.1.

In the following chapter, a full discussion of the similarities and differences between the shared meanings in the two Chinese subcultures will be presented.

Table 6.1 Major Issues Related to Entrepreneurship – Shanghai

Entrepreneurship aspects	Major Issues
Capital	• Own savings → family support, family savings, past work experience • Informal source of finance → personal borrowings → mutual trust, face, *renqing*→ social network • Distrust of government and financial institutions • Choice of industry, business type → minimise initial investment, reduce risk
Knowledge and Skills	• Past work experience → sense of belongings → relations with employers • Social network → social interaction • Education, formal training
Market Opportunity	• Market information → social gathering → social interaction → family, social network • Past work experience • Motives and intentions

Risk	• Minimise initial investment → choice of industry, business type → reduce risk
	• Management of risk
	  ▪ Backup plan → family savings, spouse income, social support → family, family values
	  ▪ Part time employment → income, work experience
	• Lack of job security → distrust of employer

Family	• Source of capital → family relations → family values Source of labour → family relations → family values
Network	• Tension between friends & relatives → social gathering → social interaction, face • Source of labour → trust, obligation → social interaction • Source of market information → social gatherings → social interaction • Social gathering → social interaction→ wealth, face • Sources of capital → face, *renqing* → social interaction

Motives & intention	• Monetary reward
	  ▪ Improved living standard → family, face
	  ▪ Social status, face → social interaction
	• Lack of job security → distrust of employers
	• Dissatisfaction with employment →personal capability, limited pay and promotion opportunity → lack of sense of belonging
	• More control of life → sense of insecurity → social security, distrust of government
	• Social status, face → social interaction

CHAPTER 7 – COMPARATIVE ANALYSIS OF HONG KONG AND SHANGHAI

The task of chapter 7 and 8 is to comparatively analyse the issues that were identified from the last two chapters. Firstly, it is necessary to provide more demographic data on the two cities to aid an understanding of the comparative analysis. Table 7.1 provides a summary of the major indicators for Hong Kong and Shanghai.

Table 7.1 Major Indictors of Hong Kong and Shanghai in 2001

	Hong Kong	Shanghai
Area (sq km)	1,099	6,300
Population (million)	6.71	16.14
GDP (GBP billion)	102.5	37.4
GDP per capita (GBP billion)	15,276	2,316
Port container throughput (million TEUs)	17.8	6.3
Foreign Direct Investment (FDI) (GBP billion)	14.3	2.8
Total trade (GBP billion)	245	75.3
Industry structure		
Industry	9%	45%
Services	83%	51%
Average GDP annual growth		
1978-88	9.0	9.9
1989-97	4.9	10.7
1998-01	2.2	10.3

Source: Statistical Yearbook of Shanghai 2002, Hong Kong Statistical Yearbook 2002

Today, Hong Kong is well ahead of Shanghai in terms of total and per capita GDP (see Table 7.1). Hong Kong's GDP is nearly 3 times that of Shanghai and per capita GDP is more than 6 times. Total trade intermediated by Hong Kong is more than 3 times that of Shanghai. Foreign direct investment flow into Hong

Kong in 2001 was 5 times that of Shanghai. Hong Kong's economic accomplishments today are being achieved with a population of less than 7 million, while Shanghai has over 16 million (Wong, 2002).

In chapter 5 and 6, the accounts drawn from interviews with informants from Hong Kong and Shanghai are presented and the shared understandings of issues relating to entrepreneurship are examined. The related issues are summarised in Table 7.2. In the first part of this chapter, the entrepreneurship issues that are presented in chapter 5 and 6 will be analysed and discussed. It will be followed by a comparative analysis of the similarities and differences between the two Chinese subcultures.

A significant amount of entrepreneurship literature has emphasised the importance of resources, opportunities, knowledge and skills to the creation of new ventures. According to these studies, new ventures are created because of the availability of certain factors. Therefore, by providing the 'right conditions', it is expected that new ventures can be created. However, the findings of this study suggest that Chinese entrepreneurship is characterised by distinctive meanings. In what follows, the resource aspects presented are summarised into the following aspects: capital, knowledge, skills and market opportunities.

7.1 Capital

It is generally argued that capital is crucial to the creation of new ventures. Therefore, studies have tended to focus on the availability of capital at different levels. At the macro level, there is a concern with the policies for providing funding to aid new ventures' capital raising - the assumption being that availability of capital creates entrepreneurship. In what follows, the institutional context at both macro and micro levels is discussed.

Table 7.2 Major issues related to Entrepreneurship - Hong Kong & Shanghai

Entrepreneurship aspects	Hong Kong	Shanghai

Capital	• Own savings → family support, family savings, past work experience
	• Informal source of finance
	  ▪ Informal savings club → social network → face, social interaction
	  ▪ Personal borrowings → mutual trust, face, *renqing* → social network
	• Banking facilities → economic structure
	• Distrust of government and financial institutions
	• Choice of industry, business type → minimise initial investment, reduce risk
		• Own savings → family support, family savings, past work experience
		• Informal source of finance → personal borrowings → mutual trust, face, *renqing* → social network
		• Distrust of government and financial institutions
		• Choice of industry, business type → minimise initial investment, reduce risk

Knowledge and Skills	• Upbringing → family, social network, social interaction → social gatherings • Education, formal training • Past work experience → sense of belongings → relations with employers	• Past work experience → sense of belongings → relations with employers • Social network → social interaction • Education, formal training
Market Opportunity	• Market information → social gathering → social interaction → family, social network • Past work experience • Motives and intentions	• Market information → social gathering → social interaction → family, social network • Past work experience • Motives and intentions

Risk	• Minimise initial investment → choice of industry, business type → reduce risk
	• Management of risk
	  ▪ Backup plan → family savings, family income, social support → family, family values
	  ▪ Part time employment → income, work experience
	• Lack of job security → distrust of employer
		• Minimise initial investment → choice of industry, business type → reduce risk
		• Management of risk
		  ▪ Backup plan → family savings, spouse income, social support → family, family values
		  ▪ Part time employment → income, work experience
		• Lack of job security → distrust of employer

Family	• Sense of obligation → family values → cultural values
	• Family name → face, social network, cultural value
	• Family business
	  ▪ Source of capital → family relations → family values
	  ▪ Source of labour → family relations → family values
		• Source of capital → family relations → family values
		Source of labour → family relations → family values

Table 7.2 (Con't)

Entrepreneurship aspects	Major Issues – Hong Kong	Major Issues – Shanghai
Network	• Tension between siblings, friends & relatives → social gathering → social interaction, face • Source of labour → trust, obligation → social interaction • Source of market information → social gatherings → social interaction • Social gathering → social interaction→ wealth, face, moral issues • Sources of capital → face, *renqing* → social interaction	• Tension between friends & relatives → social gathering → social interaction, face • Source of labour → trust, obligation → social interaction • Source of market information → social gatherings → social interaction • Social gathering → social interaction→ wealth, face • Sources of capital → face, *renqing* → social interaction

Motives & intention	• Monetary reward
	  ▪ Improved living standard → family, family values, face
	  ▪ Social status, face, family name → social interaction
	• Lack of job security → distrust of employers
	• Dissatisfaction with employment →limited pay and promotion opportunity → lack of sense of belonging
	• More control of life → sense of insecurity → social security, distrust of government
	• Social status, face → social interaction
		• Monetary reward
		  ▪ Improved living standard → family, face
		  ▪ Social status, face → social interaction
		• Lack of job security → distrust of employers
		• Dissatisfaction with employment →personal capability, limited pay and promotion opportunity → lack of sense of belonging
		• More control of life → sense of insecurity → social security, distrust of government
		• Social status, face → social interaction

7.1.1. Formal sources of capital

Until very recently in Hong Kong, there were no government organisations that provided funding for individuals to create new ventures. In December 2001 and January 2002, four SME funding schemes were set up by the government to help SMEs secure loans to acquire business equipment, to enhance human resources, expand markets and facilitate competitiveness. In addition, SME Financing was set up in March 2002, under the Small and Medium Enterprises Committee, to consider issues and developments relating to SMEs' financing needs and to suggest measures to facilitate SME financing (ISD, 2003b). However, as all these funding schemes were set up very recently, the majority of the informants in Hong

Kong had not heard about it. For the informants, the financial institutions, such as the banks and financial services companies, are the major source of finance for private companies. However, the main target group for banks are the medium and large companies. For a small company, especially an emerging one, seeking an unsecured loan in a formal way seems unattractive because the banks would normally offer a secured loan only by using the individuals' property as security.

The situation is highlighted in the informants' accounts. When talking about their source of capital, informants did not mention the financial institutions at all. When they were then asked about the option of seeking finance from the government or financial institutions, informants consistently comment *"they (government and financial institutions) only deal with big companies"*, *"they are not for us"*, *"they wouldn't want to meet us"*, *"it's too much trouble to see them, you need all sort of documents"*, *"why should they lend money to me?"* to express their lack of confidence in getting finance from formal sources. As the government has just started the new funding schemes, I asked the informants if they would try to approach it in order to get funding. Informants consistently express their disbelief in getting funding from formal channels. One informant uses a Cantonese saying to describe it "邊 有 咁 大 隻 鴿 虎ๅ 隨 街 跳? - *How can there be such a big female pigeon jumping all over the street?*" (pigeon is a common poultry in Hong Kong). What the saying means is, if there's a female (it is believed that female pigeon is bigger and more meaty) pigeon in the street, it would be caught by someone else, unless there's something wrong with it. The expression from the informants showed their distrust towards the government and financial institutions as sources of finance. From the accounts it can be inferred that this stated attitude towards government and financial institutions is shared by the members of the social group that has formed a 'reality' - that *'government and financial institutions are not for entrepreneurship'*. This 'reality' has shaped people's stated attitudes and behaviour so that they do not even want to make the effort to approach these organisations when they need it.

In Shanghai, there are no official government organisations that provide funding to private companies of any size, although there is major support for state-owned

companies. As China is still a controlled economy, the government has tight control over the banking sector. Therefore, the financial institutions are mainly a source of finance to the state-owned companies. For private companies, even very large companies, it is difficult for them to get finance from the government through open channels. For small to medium companies, it is unlikely that unsecured finance will be provided. This is especially the case for emerging companies. Despite the fact that the Chinese government has been trying to change their policy in the banking and finance sectors in order to comply with membership of WTO, financial support to small private companies is yet to be developed. Unlike Hong Kong's banking system, which is widely recognised as one of the most well developed in the world, the banking system in Shanghai is rather backward so that the majority of the public are not allowed to have a current account, cheque book or credit card. Even companies have to meet very strict requirements in order to open a current account. Therefore, cash is still the most common way (and to many people, the only way) when dealing with business transactions.

Like the Hong Kong informants, the Shanghai interviewees did not speak of the government or financial institutions as an option for raising start-up capital. Most of them *"never thought about it"* and said that it is *"pointless"* and *"simply impossible"* to raise start-up capital from the official institutions. When they were then asked about the option of seeking finance from financial institutions, informants consistently disregarded this as an option because *"they only give money to state-run companies"*, *"they would simply ignore us"* and some expressed their disapproval of the bank's services because they are *'horrible'*, *'always long queues'*, *'the people treat you like a beggar"*. As a result, there is *"no point in begging for nothing"*.

From the accounts, it is possible to identify the shared understandings about the "reality" of financial support in Hong Kong and Shanghai. There is a distrust and lack of confidence towards government and financial institutions. This has resulted in their stated belief that government and financial institutions are not an option to raise start-up capital. As there is very little help that individuals can get from the official organisations, in terms of start-up capital, this has reinforced

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people's perceptions that formal ways of raising capital are not an option for them. Because of this, even if there were new facilities made available to business founders, people would not be enthusiastic about it, and so this would reciprocally influence the effectiveness of the new facilities. The cause and effect reciprocally reinforce each other and form a 'reality' about formal ways of capital raising. It can be argued that this 'reality' is socially constructed and enacted by individuals. In order to create their own business, individuals deal with capital and finance in different ways. It can be argued that this is another form of enactment as a result of their previous enactments.

7.1.2 Informal sources of capital

From the accounts of the Hong Kong and Shanghai informants, the informal sources of capital include savings, family and networks.

7.1.2.1 Family savings

The majority of the Hong Kong informants started up their own business by using their own savings. According to them, it is *"always better to use your own money"* and so they save up their income in order to start up their own business. They said it is *"lower risk"* in terms of losing face and interest payable. In a Chinese context, the term 'borrow money' is normally associated with negative meanings and one would lose face when borrowing money. As a result, borrowing from others is undesirable and should be avoided whenever possible. For the informants who are currently employed by other companies, one of the main reasons for working for others is to save up capital for a future business.

Another major source of capital is from the business founders' family savings. However, this is only limited to core family, including parents, husband and wife, sons and daughters and siblings who are still single. According to the informants, these are the core family members where there is no division of whose money belongs to whom. In the old Chinese tradition, it is normal for families to put all their savings together. Normally, when children have grown up and started working, they would give their income to their parents to cover the family expenses and to saving. When the family needs to buy property, or when their children are getting married, parents use the 'family reserve' to pay for the

required expenses. However, this kind of family tradition is losing out to the 'Western style'. Nowadays, lots of grown up 'kids' no longer give their income to their family. Some give a portion to their parents, while some family members are totally independent financially. From the accounts of the Hong Kong informants, the majority of them are still adopting the traditional family financial system that the family's income is united and used when starting up a new business. Because the business is financed by family savings, the business therefore belongs to the family. This highlights the importance of family values in forming new businesses. This issue will be discussed further in section 8.3.1.

The accounts of the Shanghai informants, on the other hand, show a different pattern of family savings. According to the informants, they do not give their income to their parents, and their parents' savings do not belong to them. In Hong Kong, informants do not use the words 'borrow' or 'lend' when they talk about their parents' savings, while these words are used by Shanghai informants repeatedly when talking about their parents' savings. From their accounts, it is highlighted that the informants and their parents do not have the same 'family accounts' as the Hong Kong informants. This shows a different set of family values in the two Chinese subcultures. This issue will be discussed further in chapter 8. What is emphasised here is that, because the Shanghai informants do not have the 'family accounts' with other family members apart from their spouse, it is necessary for them to borrow from other sources when raising start-up capital.

In Hong Kong, another main source of start-up capital is from the informants' network. One of the most common ways to borrow from their network is through *hui*.

7.1.2.2. Informal savings club (hui)

As described in chapter 5, *hui* (literally means guild, club) is an informal saving club formed by relatives, friends, neighbours or colleagues. It has a very long history in Chinese society. In a *hui*, each member puts a certain amount of money in the club at a fixed interval, normally monthly. At the end of the *hui* period, normally six months or one year, *hui* members bid for the total savings. The one who is willing to pay the highest interest gets all the money and pays interest to

the rest of the members until the total amount he owes is paid off. *Hui* is one of the most common informal capital markets in Chinese communities (Lin, 1991). Because there are no formal rules or contract in a *hui*, *hui* are formed and maintained solely on reputation, relationship and mutual trust. There are incidents from time to time when *hui* members run away with the *hui* money but, from the accounts of the Hong Kong informants, it did not seem to worry them that much.

The Hong Kong informants spoke of *hui* as very *'useful'* and *'reliable'*. According to the informants, some of them have been in a *hui* for over twenty years. For them, it is a way of earning higher interest on their money and a source of finance when they need it. Another main reason for informants preferring *hui* is that it does not involve losing face because procedures for running a *hui* are agreed by all parties. Therefore, it does not involve face-losing borrowing and lending. According to the informants, it "*mutually benefits all parties*" because they earn higher interest when they have excess income. Also, they can bid for the money when they need it. Regarding incidents of *hui* members running away with the *hui* money, informants expressed that being cheated is *'exceptional'* and they had never experienced it themselves. Another reason for preferring *hui* is that members have normally known each other for a reasonably long time and have considerable connections, such as being relatives or working for the same company. Therefore, *hui* members risk losing face in their social network if they do not honour their obligations. Another reason for preferring *hui*, according to the informants, is that "*we would know who to track up if bad things happen*", which means that if a *hui* member did run away with the money, they know where to look in this member's home, family, social relations, place of work and even his/her ancient hometown. It is a Chinese belief that no one would want to be totally cut off from his/her social relations, family and hometown.

In Shanghai, the *hui* culture is yet to be developed. The emergence of *hui* in Hong Kong is understood to be the result of excess income and a relatively stable social structure. Shanghai has just begun large scale economic reform in the late 1980s. People's incomes were very low in the past, so they were unlikely to have excess income to join this kind of saving club. In the Shanghai informants' accounts,

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none of them mentioned *hui* and, when they were asked about it, the majority of them had no idea about it. The non-existence of *hui* has made it necessary for the Shanghai informants to seek sources of capital in different ways, mainly by personal loans from social networks.

7.1.2.3 Personal loans from social networks

According to the informants, borrowing from friends and relatives is *'not desirable'* but more *'realistic'* and *'useful'*. In Hong Kong, because the average income is relatively high, especially in the 1980s and early 1990s, lots of families have a reasonable amounts of savings. Therefore, in a way, it has provided a pool of capital. However, this source of capital is not available to everyone. In chapter 5, Ching, founder of Ho Yuen Factory, expressed his unwillingness to borrow from relatives. There are several reasons behind this. Firstly, as mentioned earlier, borrowing money has negative meanings and one risks 'losing face'. Secondly, if one borrows from others, what he/she owes to the lenders is not just the money but also *renqing* (favour). One has to remember the *renqing* (favour) he/she owes and find an opportunity to repay, otherwise he/she would be shamed and lose face in the social network. But this *renqing* debt cannot be repaid completely because there are no clear guidelines. A shared understanding is that, once you owe a *renqing*, you should *always* remember it. Even when one has helped the person in return, the person that is being helped owes the other *renqing,* but the previous *renqing* debt is not cleared. It will only means you owe each other *renqing* debt, which is seen to be fairer than one-sided *renqing* debt. Apart from the endless *renqing* debts, this kind of personal loan is not cheap because normally they have to pay interest at a rate that is much higher than the bank interest rate. Furthermore, this kind of personal loan is not available to everyone. Only people with 'big face'(see table 8.1), good reputation and good 'credit rating', are able to access this 'network capital'. This has supported the argument that the maintenance of one's reputation is the key to access to credit (Silin, 1972).

Likewise for the Shanghai informants, family savings are a major source of capital when starting up a new business. As mentioned earlier, the family savings in Shanghai are mainly formed by a husband and wife and not from their parents. Therefore, the amount is limited to two person's savings. Also, the average

income of the Shanghai informants is much lower than that of the Hong Kong informants. So, family income is normally not enough if one wants to set up a new business. As a result, it is necessary for the Shanghai informants to borrow from their friends and relatives. As Shanghai is a developing economy, the majority of people worked for the state in the past and, because of their low income, their savings are much lower compared with the Hong Kong families. For the Shanghai informants, it is necessary to borrow from more families when they want to set up their own business. But this is not an easy option. Apart from the problems that their Hong Kong counterparts have to face, Shanghai informants found it even more difficult because of the economic environment.

Shanghai informants consistently expressed the difficulties of borrowing money from their social network. As China is transforming from a planned to a market economy, one of the major changes is that the state no longer takes care of the medication and accommodation for the majority of the people. In other words, people now need to keep savings for a rainy day. In Shanghai, if one is badly ill and needs to go to the hospital, he/she will only be given treatment when the fee has been paid or their employer has guaranteed to pay it. Apart from medical treatment, other factors such as education and living conditions, all require a certain amount of savings to maintain. In education, parents need to pay the students' tuition fees and other sundry expenses before the students are allowed to go to school. This has, in a way, influenced people's 'reality' that *money is important*. This issue will be discussed in depth later in this chapter. The issue of social welfare will be discussed in a separate section. As a result of shared reality, it is more difficult for families to spare money to lend to others or to participate in *hui* membership. Despite the difficulties faced by Shanghai informants, informal sources of capital are still the most common way of raising start-up capital. In short, personal loans from social networks can be seen as the easiest and also the most difficult option. It is easy because no document or security is required. It is difficult because the security for the loan is one's face, reputation and 'credit rating'.

The discussion above has shown that different sources of capital are used by informants in Hong Kong and Shanghai. The reasons for the differences are

mainly due to the different economic environment of the two cities. In both cities, informants have shown distrust in the government and the financial institutions as a source of capital. These issues will be discussed in the next chapter. What is highlighted here is the impact of different economic environments on sources of capital. A major issue that has been highlighted from the above discussion is that informants play an active role in raising start-up capital, either by saving, joining savings clubs or through personal loans. The network as a source of capital does not exist 'out there'. Individuals have an active role in maintaining good reputation, face and thus 'credit rating' in order to access personal loans from the network. This also highlights the importance of social networks and ongoing social interactions. Another way of dealing with start-up capital, as discussed in the last two chapters, is by choosing a type of business that requires little initial investment. The discussion of capital raising also shows the active role that informants play in making sense of and enacting their environment to create new ventures.

7.2 Knowledge and Skills

Entrepreneurial knowledge and skills have been widely researched in the field of entrepreneurship (Ray, 1993; Jack & Anderson, 1999). There are long debates about whether these 'entrepreneurial skills' are inherent or learned. For those scholars who argue that entrepreneurial skills are inherent, they tend to focus their studies on personality and personal characteristics. For those who argue that entrepreneurial skills are learned, they tend to focus on the environment of the entrepreneurs. The only conclusion that can be drawn from these studies is that researchers fail to appreciate the contribution of studies from different disciplines. In this section the issue of entrepreneurial skills from a social constructionist view will be discussed.

Both the Hong Kong and Shanghai informants expressed that their entrepreneurial skills are learned, mainly in three ways.

7.2.1 Learning through the social networks

When they were asked about how they know how to run a business, both the Hong Kong and Shanghai informants said that the basic rules of running a business are *'very simple'* and *'need not be learned'*. When they were asked why this is the case, one of the informants in Hong Kong used a Chinese saying to express his view: '沒吃過豬肉, 也見過豬跑 - *even if you never eat pork, you should have seen pigs running in the field*'. This is an old saying that is commonly used in China. As China is an agricultural country, pigs and ox are very common farm animals that everyone will have seen it. This old saying expresses something that is very common and happens in everyday life. Therefore, it is unlikely for one not to know it. According to the accounts of the informants, the basic rule of business, which is to buy and sell at a profit, is something they see in their everyday life. Informants have listed many examples, such as the corner shops, hawkers in the street and butchers in the market. Another major source is the media. Informants refer to newspapers, radio and TV when they talk about how they manage to learn about business. This highlights the importance of societal factors in shaping individuals' knowledge, attitude and behaviour towards entrepreneurship. The societal issue will be discussed in chapter 8.

7.2.2. Learning from family

Another major source of learning is from the informants' proximate social relations, that is, family and relatives. Many Hong Kong informants mentioned that they have family or relatives who are running their own business. Because of this, many of them expressed that, as a child, they learnt the 'rules of business' by helping out in the business or by listening to adults' conversations. According to the informants, one of the major topics in social gatherings, especially for the male relatives, is to talk about business. Therefore, it has become very common for people to hear about business as they are brought up. This highlights the importance of upbringing in shaping people's 'reality' and knowledge about entrepreneurship.

From the accounts of the Shanghai informants, their situation is different. Apart from Guo, the founder of Chai Fen Snack Group, whose father was a businessman

from a different province, many Shanghai informants did not have contact with private business while they were brought up. This is related to the economic environment of Shanghai. Although Shanghai has been a major commercial city in China for the last few centuries, since the Communist Party took over China in 1949, the majority of people in Shanghai worked for the state in the following decades. Even after economic reform in the early 1980s, Shanghai did not start its large scale economic reform until the late 1980s. Because of this, many people in Shanghai were brought up in a city which was dominated by state-owned enterprises. Therefore, running business or private business is exceptional, even undesirable, and was discredited in the past. From the accounts of the informants, it can be inferred that the Shanghai informants had relatively less idea about business when they are growing up. The majority of them said that they started to have a better idea about business after they started working as employees.

7.2.3 Learning from employment

From the accounts of the Hong Kong and Shanghai informants, the pattern of entrepreneurial learning is different between the two communities. In Hong Kong, as discussed earlier, the majority of the informants said that they had a good idea about the basic rules of business when they were brought up. So, for some informants, the reason for working for others was to save up start-up capital and to learn how to run a new business in a certain industry. Some informants deliberately looked for job opportunities in certain industries in order to learn the required skills. Sik, the co-founder of Ho Yuen Factory in Hong Kong, deliberately looked for a job as an automatic embroidery trainee in order to learn how to use an automatic embroidery machine. In another informants' account, Dabin, the founder of Regent Trading, used to work for a footwear trading firm in order to learn how footwear trading firms operate and where to source goods and customers etc. According to Dabin, he learnt a lot from his previous work experience and he then started up his own trading firm after quitting his previous job. According to these informants, this is a *'sure win strategy'* that they *'get paid to learn'* and *'absolutely no risk because if you lose, it's not your own money'*. This also highlights a lack of sense of belonging from the employees' point of view. This relationship between employers and employees will be discussed in chapter 8.

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The situation is different in Shanghai. As Shanghai was a controlled economy in the last few decades, followed by economic reform in the 80s, most of the industries in the private sector are underdeveloped. That makes it unlikely that Shanghai people can choose their career freely like their Hong Kong counterparts. For the Shanghai informants, the kind of jobs that they could get freely from the market are those unskilled low paid jobs or jobs with no fixed income, such as sales assistant or shop keeper. For jobs with better pay and benefits, normally they need special *guanxi* (network, relationship, see Appendix I). Li, the founder of Huali Fashion, started her career in Shanghai as a sales assistant in a fashion shop. For her, this was the only kind of job that she could get. However, she admitted that she *"knew nothing about the fashion industry"* before she joined the company and *"learnt everything about it after working there for a year"*. After one year, she left the company and started up her own fashion shop. Again, this highlights the importance of past work experience in the creation of new ventures.

Likewise, for Hong Kong informants, the majority of them had no idea what industry they would be in when they first started working. They started to have a better knowledge about the industries after working for some time. They speak of identifying some opportunities in the industries and so they quit their job to start up their own business. Dabin, the founder of Regent Trading, worked full time for a printing company when I first met him in my first stage fieldwork. In my second stage, one and a half years after my first fieldwork, Dabin had quit his job in the printing company and set up his own printing company. This example supports arguments that companies are rich training grounds for entrepreneurs (Aldrich & Wiedenmayer, 1993). A major assumption is that, once individuals learn the required skills, they are more likely to create their own business. However, these studies fail to explain why individuals want to learn and set up their own business. Also they cannot explain why some economies have lower levels of entrepreneurial activity with the majority of people working in the private sector. What is emphasised here, therefore, is not when they started to learn the 'entrepreneurial skills' but why they want to learn. The accounts presented above suggest a different story from the point of view of the informants and points to a contribution to understanding entrepreneurial learning. According

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to some of the informants, they wanted to create their own business, so they deliberately joined companies in order to learn the required skills. This could help to explain the relationship between past work experience and entrepreneurial activities.

From the accounts, it can be inferred that entrepreneurial skills are learnt. Informants from both Hong Kong and Shanghai have to go through a learning process about running a business. In Hong Kong, informants mainly learn from their upbringing, while the Shanghai informants mainly learn from their previous employment. It must be emphasised that individuals play active roles in the process of learning. From the accounts, it is argued that entrepreneurial skills are enacted by individuals, either intentionally or unintentionally. Some informants stated that they deliberately chose the industry and job in order to learn what they believed would be useful for running their own business. This is a form of intentional sensemaking and enactment. Some others learnt while they were working for others and decided to start up their own business after working and learning in the field for a period of time. This can be seen as another form of sensemaking and enactment. What is important, therefore, is not just how they learnt but also why they want to learn. This draws attention to the importance of the shared meanings of entrepreneurship that shape the way they make sense and enact their environment to learn. The shared meanings of entrepreneurship will be discussed in a later section.

7.3 Market Opportunity

A review of the entrepreneurship literature in chapter 2 has shown that a significant amount of studies tend to focus on market opportunities. According to these studies, opportunities create entrepreneurship. Therefore, to increase the level of entrepreneurial activities, it is necessary to increase the market opportunities in the economy. As such, studies have examined economic structure, state policies and other macro and micro environmental factors. They rarely focus on the individuals and how they construct and enact opportunities.

The economic structure is very different between Hong Kong and Shanghai. Hong Kong follows the economic policies of free enterprise and free trade. This

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has provided a favourable environment for people when running their own business. Firstly, company formation is simple and easy. Citizens in Hong Kong can enjoy maximum freedom in setting up their own business. This phenomenon is reflected in the informants' accounts. Many informants have taken it for granted that they speak of having their business registered as just a *'formality'* and that many of them *'never thought about it as a problem'*. For many informants, having their companies registered is nothing more than *'filling in a form, pay the registration fee of HK$800 (GBP67)'*. This issue is very different for the informants in Shanghai. Despite changes in policy to provide a more favourable economic environment for private enterprises, having a company registered is still a long, complicated and expensive process (it could cost more than 3000GBP to register a trading firm). However, this does not seem to stop the informants from starting their businesses. According to Ping, she started off by *chenbao* (take over management and operation) of the state-owned enterprises, which allowed her to run a business without registering her own company. Another way of owning a business is to buy a registered company from others. Ping bought her own private company from a friend of hers. According to her, there are many companies in Shanghai whose main business is to 'produce' registered companies to sell them on for a profit. This highlights the active role individuals play in making sense of and enacting government policies.

From the accounts of the Hong Kong and Shanghai informants, there was little difference in the way people talk about entrepreneurial opportunities. According to the informants, opportunities happened to *'appear'* at the right time. They either appear when informants are *'talking with social relations'* or *'working in business'*. The majority of the informants said that the first time they heard of a business idea is through conversations with their social relations. Their social relations were either in the same business or they heard of the idea from their social relations. Ching, founder of Ho Yuen Factory, said he heard about computer embroidery business from a friend who was running a factory. He was told how much money it can make from each order and how great the demand was. He therefore decided to run his own business.

Another common form of 'knowing an opportunity' is that after working in the company for a period of time, informants said that they 'realised' there was great potential in an industry. Therefore, they decided to give it a try. Li, the founder of Huali Fashion in Shanghai, said the reason she set up a fashion shop was because she used to work in a fashion shop and everyday she met many customers and realised that the demand was very high. So, she decided to set up her own fashion shop. Dabin, founder of Regent Trading, set up a new printing business after working for a printing company for a few months. According to Dabin, the reason he set up the printing business was that he realised how much money the business could make and how easy it was to get orders. So, he and his colleagues, all three of them, left the company and set up their own printing company. However, the business did not work out and was shut down after a few months. Dabin said it was not a disaster because he still has a trading business, set up a few years ago, which is still operating properly. What is highlighted here is the importance of social relations and past work experience in shaping informants' 'realisation of opportunity'.

An interesting insight gained from the accounts of the Hong Kong and Shanghai informants is that opportunities are important to business. However, from their accounts it can be inferred that the idea of running their own business and *'being your own boss'* was in their mind long before they *'saw'* an opportunity. For example, in Dabin's case, when I first met him in 2000 for my first stage of fieldwork, he mentioned that he had *'always wanted to run his own business'* and was *'always looking for an opportunity'* to make money. Although he had his own trading business, he said it was not good enough so he *'was still looking for other opportunities'*. In my second stage fieldwork, one and a half years after our first meeting, he had set up and shut down a new printing company. According to him, he believed *'it was a good opportunity, but things didn't work out between us, it was unexpected.'* Also, he expressed that he has *'no regrets'* because *'things like this happen a lot'* and he *'will try again if there are any other opportunities'*. From the accounts of other Hong Kong and Shanghai informants, it is interesting to realise that a lot of the business owners run several businesses and failed before they *'found the right opportunity'* in running their current businesses. Also, from the accounts of the employees in Hong Kong and Shanghai, although some of

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them had tried to run their own business before and failed, they still highly regarded *'running your own business'*, *'being your own boss'* and they insisted that they were still *'looking for the right opportunity'* and will *'definitely try again if there's the right opportunity'*.

From the accounts, it can be inferred that informants actively make sense of and enact their environment in the process of 'looking for opportunities'. Therefore, what is important is not to focus on how opportunities are made available to individuals, but why individuals make sense of and enact their environment in such a way as to create opportunities and new ventures.

To summarise, the last few sections have discussed how informants play a key role in making sense of and enacting their environments and, in some cases, creating a new business venture. As discussed earlier and supported by the earlier analysis, the meanings of entrepreneurship are inter-subjectively shared, reshaped, reinforced and institutionalised through social group members' ongoing social interactions. These institutionalised meanings then shape the way individuals make sense and enact their environment, forming a 'reality' of entrepreneurship in different social settings. This socially constructed reality, in turn, shapes the way individuals make sense and enact their environment, thus reinforcing the 'reality'. This can be seen as a circular process with no beginning or end. Therefore, to understand the reasons that give rise to entrepreneurship in different Chinese subcultures, it is necessary to understand the socially constructed reality of entrepreneurship, that is, the institutionalised meanings of entrepreneurship in different Chinese subcultures, and the factors shaping this. As argued in chapter 3, individuals are embedded in different levels of institutional environments. It is necessary, therefore, to draw upon institutional factors, including political, economic, cultural and societal dimensions, when attempting to understand how meanings of entrepreneurship are constructed. In what follows, the institutionalised meanings that derive from the above analysis is presented and analysed.

7.4 Institutionalised meanings of entrepreneurship

7.4.1 Entrepreneurship and monetary Reward

From the accounts of the Hong Kong and Shanghai informants, informants have consistently commented that making more money was their ultimate motive for creating a new venture. It can be inferred that monetary reward is a key issue in entrepreneurship. Based on this initial finding, the second stage of the fieldwork was focused on the issue of monetary reward. Taking this forward, the reasons the informants want to make more money is explored further. As a result of the analysis presented in the last two chapters and summarised in table 7.2, the following key themes are identified: sense of insecurity; face; social status; family name and personal capability. In what follows, issues of monetary reward will be discussed in terms of the institutional context in Hong Kong and Shanghai.

Almost all the informants in Hong Kong and Shanghai related monetary reward to new venture creation. This highlights the shared meanings between running a business and higher monetary reward. On the other hand, it also draws attention to the perception of limited income when being employed. There are no evidence or official figures which show that people who run their own business can make more money than those who are employed. However, informants have their own 'scientific evidence' to support what they believe. From the accounts of the informants, running a business one can *'absolutely make more money'*. When they were asked where this concept came from, the majority of the informants compared themselves with their social relations:

"Just look at the Kinfung and Kinwu brothers (founders of Min Hing Garment Factory), I have known them for nearly thirty years They used to be very poor. I remember I lent them money once. Now they are living in the Mid-Levels, driving a Mercedes Benz If they didn't run their own business, how could they achieve this?"(Ching, founder of Ho Yuen Factory, Hong Kong)

"I don't know anyone who's rich as a result of being employed. Unless you are a doctor, a lawyer or a high rank state official. But this option is not for ordinary

people like us. A lot of my relatives are rich because of running their own business."(Yuen, employee of Ho Yuen Factory, Hong Kong)

"Just look at my brothers and sisters. Those who are rich are those who run their own business. It is too obvious."(quote recalled from conversation with Yee, founder of Ming Kee Factory, Hong Kong)

The Shanghai informants expressed the same meaning in that they consistently commented that running a business *'makes a lot more money'* because that is what they *'hear and see every day'*. Like the Hong Kong informants, they draw upon stories of their own and their social relations' experience to support their assertions.

"My family used to live in a small room when I was working as a sales assistant. Now, even our servant's room is bigger than the room we used to live in."(Li, founder of Huali Fashion, Shanghai)

"Since I started my own company, my income is hundreds of times more than what I used to make. It is too obvious."(Jing, founder of Sky Property)

"My uncle and my cousin are very rich because they are successful businessmen. If they didn't run their own business, all this would be impossible."(quote recalled from conversation with Seng, nephew of Kwok, President of Chai Fen Snack Group, Shanghai)

The accounts above also highlight the impact of social relations in shaping informants' environment and thus 'reality'. This issue will be discussed in the next chapter, under the heading social interaction.

Apart from expressing the prospects of higher monetary reward, informants have expressed the negative aspects of being employed. As presented in chapters 5 and 6 and summarised in Table 7.2, issues such as limited income, lack of job security and promotion opportunities are related to being employed. The issues of job security, which involve levels of trust (distrust) between employer, government

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and individuals; and promotion opportunities, which are related to family and network, will be discussed respectively in later sections. Here the concern with limited income is discussed.

According to the accounts that are presented in chapters 5 and 6, one of the main reasons that informants prefer running their own business to being employed is because of the limited income that is *'impossible to live on'*. This show a strong dissatisfaction with their living standard when employed. One of the aspects that informants repeatedly talk about is their living conditions. It can be inferred that this factor is particularly important in a Chinese context due to cultural and societal reasons. It is necessary, therefore, to examine the living conditions of the two cities.

7.4.1.1. Housing– economic, cultural and societal aspects
After 1945, the end of World War II and the beginning of Civil War in China, the Hong Kong government had to deal with a substantial amount of immigration from Mainland China, mainly from Canton Province. One of the largest squatter settlements was at Shepkipmei district in Kowloon Peninsula. In 1953, a fire left more than 50,000 people homeless. The government was then forced to intervene directly to house the immigrants. As a result of this, the public housing scheme (originally known as Resettlement Programme) was launched and modest government housing estates were built in order to house the homeless immigrants. The government then found it necessary to continue the housing scheme in order to provide low cost accommodation for low income families. The government rental housing has been in high demand because of its lower rent (37% of the assessed market rent) (HKSY, 2000). In the 1970s, in addition to the public rental housing, the government launched a new scheme called House Owner Scheme. The main reason for these new schemes was to provide low cost housing to families whose income was too high to apply for a government flat, but too low to buy private properties. Another reason was to encourage families that have higher incomes and were still living in government housing to own their own properties, thus reducing the burden on the government. In doing so, the intention was to increase the number of government housing flats available to eligible families. Under the new schemes, government housing estates were built and sold at a

discounted price based on the market price of private properties. The existing government housing tenants were given priority in terms of location and flat selection order.

In the 1990s, about 2.5 million, that is, about half of Hong Kong's population, still lived in government flats. The government decided to reduce the burden on the government housing estates. Therefore, it increased the rent and changed the housing policy to 'kick out the wealthy tenants'. Some of the families who moved into the government housing estate in the last few decades found themselves no longer eligible for the low cost accommodation because children in these families have grown up and increased the family income significantly (it must be noted that it is the norm for grown up children to live with their parents). For these tenants, they either have to pay a higher rent or move out of the government flats. Some were given the option to buy their existing flats. Because of this, the once 'cheap and permanent' government flat no longer exists.

In the private property sector, because of the government's high land price policy; the land supply is limited and there is a great demand for property. Property prices increased dramatically in early 1990s. For example, an average 600 square feet family flat bought at GBP 85,000 in 1990 was sold for GBP 240,000 in 1994. Property prices continued to increase until 1997. After the Asian Financial Crisis, they dropped significantly. A 600 square feet flat mentioned earlier, dropped from GBP 250,000 to GBP 180,000 and has remained stable in the last few years. In 2002, if one wants to buy a property, apart from the 30% minimum down payment that is set by the government, an average family needs to pay more than 50% of their monthly income on their mortgage.

Compared with property prices, the rent in Hong Kong is relatively cheap. For the same flat mentioned above, the monthly rent is about half of the monthly instalment. This does not include the GBP 54,000 down payment they need to pay when acquiring the property. Despite the very high property prices, Hong Kong people still prefer to buy their own property. This is mainly due to the traditional Chinese agricultural societal values, where it is believed that to have a 'proper life', one should have 'lands and fields', otherwise, when one retires there

is nothing to rely on, nowhere to live and life would be miserable. This desire to own 'lands and fields' has transformed to owning property in the modern cities. From the accounts of the informants, it can be inferred that this 'proper life' concept is shaped and reinforced as a result of the social interactions between the informants and their social relations. In addition, the quality of living conditions are also shared and shaped through social interactions. Informants from both Hong Kong and Shanghai have consistently drawn upon their own and their social relations' living conditions when talking about how good or bad their lives are. Fong, a Hong Kong informant, continuously expressed how bad she felt about her family's living condition. She and her family are living in a private flat that is worth GBP180,000 that has already been paid off. This is above average in Hong Kong, considering that half of Hong Kong families either live in public rental housing or have their property on a mortgage. However, for Fong, her living condition is *'embarrassing'* and *'depressing'* because *'everybody has a better place to live'*. For Fong, *'everybody'* refers to her better off relatives who are mainly her husband's siblings. Therefore, Fong expresses that it is necessary to buy a better place so that her family can have a *'place to stand'*, which means not inferior to others among her relatives, and thus a 'proper life' so that her family would not be slighted by her relatives. This highlights the impact of the social embeddedness of people's values, views and behaviours. These aspects of social interaction will be discussed to a deeper extent in chapter 8. What is emphasised here is that the demand for property is influenced by people's views of a 'proper life' and a 'better life' through their ongoing social interaction. In other words, it can be argued that the demand for property is socially constructed.

Another main reason for the high demand for property is partly because of the sense of insecurity that Chinese people generally feel. This sense of insecurity will also be discussed in section 8.1. Here, the impact of the sense of insecurity that led to the very high demand of property in Hong Kong will be discussed. Despite the very high property prices, the majority of Hong Kong people see owning one's own flat as a criterion for a 'proper life'. In 2002, an average median annual domestic household income in Hong Kong was GBP17,563 (ISD, 2003a), which is average compared with Western countries and definitely much higher than most Asian countries. It is still very difficult for one to afford the

large down payment and the monthly instalments to have a 'proper home' and a 'proper life'. Therefore, it can be understand why the Hong Kong informants thought that it is *"impossible to live on"* and *"struggling for humble life"* based on the income from being employed.

Again, it must be emphasised that there is no standard of 'proper life'. Individuals compare their own and their social relations' living conditions in judging their living standard.

In Shanghai, housing has been a major problem in the last few decades. From 1949 when the Communist Party took over China, the majority of people were employed by the state. Basically, all properties belonged to the state. Accommodation was allocated by the *danwei* (work unit) based on the position, seniority, performance, number of people per family and, most importantly, the *guanxi* (personal networking, relationship) between the decision makers and the applicants. According to research, the residential area per capita in Shanghai was 4.5 square meters in 1978 and increased to 10.2 square meters in 1999 (Long, 2000). The official figures show the average residential area per capita is 13.1 square meters in 2002 (Shanghai Statistical Yearbook 2002). However, the majority of Shanghai informants are sceptical about the official figures. They point out that the actual figure is nowhere near the official figures. One of the informants showed me his accommodation. It was a very old English house, like the UK 'two up, two down' Victorian terrace house. There were four families living in the house. One of the families has three generations in one family. In total, there were twelve people living in the house. According to the informant, it is the most common living condition in Shanghai, and he has many friends and relatives living in a similar condition.

In recent years, new properties were built by private developers and state-owned enterprises. Some of the state-owned enterprises sell the properties to their staff at a discount price. In other words, very few people were eligible to buy the properties because the number of state-owned enterprises have declined dramatically in recent years. The private properties, on the other hand, are not targeted at local Shanghai citizens. Some of them were sold to overseas buyers in

US dollars only. Some others, though, do not limit the citizenship or nationality of the buyers, but their prices make it almost impossible for local families to buy. In 2000, the government launched an Accommodation Security Fund in order to help citizens in employment to buy accommodation under mortgage. The fund is contributed by the employee to the government through their employers. The purchasers have to pay a 20% down payment and can borrow to a limit of 100,000 yuan (GBP 7,962) per employee. However, the low income (less than GBP1,500 per year per family) and the very high property prices (a modest flat costs more than GBP30,000, ie. 20 years income of an average family) has made it unrealistic for many families to buy their own properties.

In recent years, there have been changes in housing policy that allow some of the tenants to buy and sell the government flat that they live in. However, living conditions are still very old and modest and improving living conditions is still a major problem for the majority of Shanghai people. For Shanghai people who are employed, unless one is a high rank state official or a professional, owning a new private house is almost unthinkable. As discussed in previous chapters, limited pay is an issue that has been mentioned by informants during the interviews. It is, therefore, necessary to understand the meaning of 'limited pay' and its relation to 'pathetic life'. Most Chinese businesses' ownership and management remains with the owners and their families. This leads to an ownership structure which will be discussed in the section covering family business. It is therefore unusual for employees to be a shareholder of the company. As a result, employees are normally given a fixed amount of pay. The pay level, therefore, is mainly decided by demand and supply in the labour market. In Shanghai, as a result of relatively low income, very high property prices and lack of social security, it is possible to understand why informants refer to their fixed income as *'pathetic'* and that life is *'hard to live'*, *'miserable'* and there is *'no future'*. With regard to running a business, the income of the owners is normally based on the performance of the company. As informants 'hear and see' other people making good money through social interaction, it has become their shared reality that running their own business is the *'best way'* for them to have a *'proper life'*.

The same thinking could applied to Hong Kong informants. According to the Hong Kong informants, the fixed amount of pay is *'very limited'* and *'impossible to live on'*. Two main reasons are property prices, which is itself a result of social construction processes, and the other is people's shared views about their living standard. As discussed above, informants continuously draw upon the living conditions of their relatives to judge their own living standard. To a large extent it is a 'comparative living standard'. It is noted that it is a very common practice to compare their living standard with their social relations during social gatherings. Those who are better off *'have face'* and vice versa. Therefore, people who are not as wealthy consider themselves as having *'no face'* (see section 8.4.1.2 for a discussion of face) because *'other people are better than us'*. Again, this highlights the important role that societal factors play in shaping people's 'reality'. What is emphasised here is that this shared 'reality' shapes the way informants make sense of their living standard and, thus, their dissatisfaction with the fixed income of being employed and their expectation of higher monetary reward by running their own businesses.

In summary, both Hong Kong and Shanghai informants express that entrepreneurship is positively related to higher monetary rewards and being employed is related to limited income and a 'miserable life'. These attitudes, perceptions and meanings are shared among the social group members through social interactions between individuals and their social relations. What can be concluded here is that the meaning of entrepreneurship as the *'best way to make more money'* is institutionalised in both Hong Kong and Shanghai networks. These institutionalised meanings then shape the way people make sense of and enact their environments and, in some cases to create new ventures.

The above analysis has shown that Hong Kong and Shanghai informants' commented entrepreneurship as the *'best way'* to improve their living standard and to achieve a *'stable and proper life'*. Informants consistently expressed the view that wealth is essential to achieve a *'stable and proper life'* because it *'takes care of you when you are old'* as *'no one else will do'*. Also, some informants expressed their lack of job security, that being employed one *'makes money for others'*, has *'no future'*, and *'ends up with nothing'* and *'being fired'* one day.

This has indicated a sense of insecurity in general and a lack of job security in both Chinese subcultures. Because of this, the conversation with the informants was then focused on what gave rise to the informants' sense of insecurity. From the accounts presented, informants expressed distrust of the government and people in general. On the other hand, they exhibit higher levels of trust towards their family and certain degrees of trust towards their friends and relatives.

7.5 Summary

In this chapter, the issues drawn from the analysis in the last two chapters have been comparatively analysed. These issues are consolidated into the issues of capital, knowledge and skills, and market opportunities. By comparing the findings from the two cities, it is argued that these factors are enacted.

The task of chapter 7 has been to carry out a second level analysis on the key issues that were identified in the last two chapters. This was achieved by presenting accounts of how informants talked about these emergent issues and comparing them with the institutional context that the informants are embedded in. A major finding of the analysis is that individuals play an active role in aspects such as raising capital, learning skills, managing risk and realising market opportunities. From the analysis it can be argued that new venture creation is a consequence of individuals' sensemaking and enactment rather than the presence of certain environmental factors. However, this is not to argue that the environment is purely the individuals' creation and imagination. The analysis has helped to identify shared meanings between the two networks. It is argued that these shared meanings shape the way individuals make sense and enact their environment in constructing meanings of new venture creation. Also it can be argued that these shared meanings and understanding are shared, shaped and institutionalised through the informants' ongoing social interaction. These institutionalised meanings then become the socially constructed 'reality' that constrains and shapes the way informants make sense and enact their environment, thus leading to a shared environment in the different social networks.

The second part of this chapter examined the shared meanings of entrepreneurship drawn from the previous analysis. By comparatively analysing the findings from the two Chinese networks, it can be inferred that entrepreneurship is related to positive meanings such as higher monetary reward, better security, higher social status and 'bigger face'. The issue of monetary reward was then discussed in this chapter. The key issues highlighted by the analysis include sense of insecurity, job security, family, network and social interactions. These issues will be examined further in chapter 8.

Chapter 8 – Constructing Entrepreneurship Meanings in the Chinese Context

In chapter 7 the issue of monetary reward and its relations to entrepreneurship is examined. It is argued that the key issues behind monetary rewards include sense of insecurity, lack of job security, family, network and social interaction. It must be emphasised that all these issues are interrelated and interwoven. It is necessary therefore, to organise these issues under different heading in order to aid the understanding of entrepreneurship. In this chapter, these issues will be examined in order to understand how informants interpret and make sense of the institutional factors in constructing the meanings of entrepreneurship. In the following section, the sense of insecurity will be examined first.

8.1 Sense of insecurity– Political, Economic, Cultural and Societal Dimension

From the accounts of the Hong Kong and Shanghai informants, they have expressed their concern that they need to make more money for a more '*stable and proper life*' because '*no one is going to take care of you*' and that there is '*no one to turn to*' so one must '*take care of yourself and your family*'. This highlights a lack of confidence in the social welfare provided in the society. In what follows, the social welfare aspects will be briefly examined.

8.1.1 Social welfare, public health and education in Hong Kong

The Hong Kong government has adopted an economy policy of free enterprise and free trade. Hong Kong is a free port with no import tariff and a 'tax haven' because of its simple and low taxation rate. A downside of this is modest social welfare, public health and education (Hodder, 1994). In addition to the housing policies that were aimed towards helping families in need, the Hong Kong Government is operating a Comprehensive Social Security Assistance Scheme, which provides cash assistance to bring the income of a household up to a prescribed level to meet basic livelihood needs. In addition, there is a Social Security Allowance Scheme which provides a flat-rate grant to meet the special needs of the elderly and the severally disabled (ISD, 2002b). Also, there are

family and child welfare services to provide a wide range of services including home help service, fee assistance etc.

On public health, the Hong Kong government provides a comprehensive range of medical and health services to the public. The Department of Health operates general out-patient clinics, maternal and child health centres throughout Hong Kong. Although the government do not provide free health service to every citizen like many western countries do, the fee is relatively low. Given that an average median annual domestic household income was GBP17,563 in 2002 (ISD, 2003a), treatment at a government general out-patient clinic costs HK$37 (GBP3.36) per visit, which includes prescription as well as X-ray examinations, laboratory tests, etc. If specialist treatment is required, the costs is HK$44 (GBP4.0) per visit. Patients in the general wards are charged HK$68 (GBP 6.18) per day for diet, treatment, medicine and any form of special treatment, including surgery, radiotherapy, physiotherapy etc. All of the above fees can be waived if the patient cannot afford it. Cases such as leprosy, venereal diseases, tuberculosis are given free treatment. Maternity and child health guidance, including pre-natal and post-natal care of the mother and the entire immunisation programme for the child is also free (ISD, 2002a).

On education, the Hong Kong Government provides nine years of free and compulsory basic education from the age of 6 to 15. Starting from the 2002/03 school year, all secondary 3 students in publicly-funded schools who have the ability and wish to continue their study are provided with subsidised secondary 4 and training places. The vast majority of secondary schools are run or fully aided by the government to provide low costs education to students after the nine years of basic education. Hong Kong has 11 degree awarding higher education institutions, eight of which are funded through the University Grant Committee, set up by the government. The rest is publicly funded or self financing. Also there are special education, adult education and education for newly arrived children, vocational, post secondary and continuing education. Most of these schools are fully or partially subsidised by the government.

A brief examination of the social welfare have shown that the Hong Kong Government provides a wide range of social benefit for its citizens in different aspects. However, the accounts from the Hong Kong informants have shown a very different view.

"I've <u>never thought about it</u> and have absolutely no idea about it. I don't even know where to get this kind of information. I don't know anyone who's claiming this kind of social benefit. <u>I don't want it anyway</u>. I can imagine it must be very <u>difficult to apply</u>. You probably have to fill out all sort of forms and provide all sorts of evidence. <u>It's not for me anyway</u>."(Ching, founder of Ho Yuen Factory, Hong Kong)

"I know there's some sort of social benefit that you can apply for, but you can't rely on it, can you?" WL: Why? Lim: "Well, how much can you get? You are not going to get a lot from the government, they would probably give you a small amount of money on which you can <u>barely survive</u>, they are not going to let you enjoy your life. Otherwise nobody would want to work."(Lim, founder of Dynasty Garment, Hong Kong)

"You have <u>no control of your life</u> if you rely on the social benefits. What if the government change the policy and you don't get it any more? You've to starve to death." (quote recalled from conversation with Chan, founder of Sakura Thread Factory, Hong Kong)

Although the statistical figure has shown that the social benefit have been helping many families, the accounts above show that our Hong Kong informants did not consider themselves to be benefited by it in any way. It is interesting to realise that they did not see it as an option. From the accounts a distrust and lack of confidence towards the government can be identified, and the issue of distrust to the government will be discussed in Section 8.1.3. What is emphasised here is that the distrust towards the government has shaped the way informants make sense and enact the social benefits offered by the government. This then shapes their shared 'reality' that they need to rely on themselves because they have '*no one to turn to*'.

8.1.2. *Social welfare, public health and education in Shanghai*

In Shanghai, the majority of the people worked for state-own enterprises until the economic reform that started in 1980s. In the past, the *danwei* (work unit) took care of its employee's income security, housing, medical insurance and other basic needs. The housing aspect and its impact on people's living standards has been discussed in chapter 7. In what follows, the social security, public health and education aspects in Shanghai will be examined.

Since the economic reform, many of the state-own enterprises, once the 'iron bowl' suppliers, laid off their employees while some others reduce their cover for the employees. Social security, therefore, is in the hands of the government. Since the 1990s, Shanghai has taken the lead in introducing three basic guarantees: a basic standard-of-living for urban residents, basic minimum-wage for workers and basic unemployment compensation for laid-off employees along with a guarantee of salaries being raised gradually in accordance with living standards. The basic living standard for an urban resident and a lower-income family is 280 yuan (GBP21.5) a month. Basic living expenses for employees' families once paid by enterprises are now borne by the government. Apart from the government department, there are social organisations including the Shanghai Charity Foundation and the Shanghai Poverty-Relief Foundation which provide assistance within their means to help the poor. Shanghai has established more than 100 types of foundations and more than 260 poverty-relief centres. According to the official figures, more than 300,000 poverty stricken families have been helped and more than one million people now benefit from the assistance funds (Xinhua News Agency, 2002).

In the past, the government insurance for government employees covered all the medical treatment costs while workers in factories received labour insurance which covers different proportions of the costs of the medical treatment. However, as a result of the economic reform, many state-owned enterprises are facing problems of downsizing, closing down or privatisation. This has resulted in the end of the era of 'iron bowl'. Because of this, the state no longer responsible for the employee's medical cover. Also the laid off employees found

themselves responsible for their own medical costs. For the current and retired government employees, many of them have to pay part of the medical fees for minor illness and have to take full responsibility for serious illness. Having recognised this problem, the Chinese government has launched a new health insurance system that will require employers and employees to contribute to a central insurance fund. Shanghai is the first municipal government to implement this new system. Employers are to contribute an amount of equivalent to 6% of each worker's salary to the fund, while workers contribute 2% of their salary. This new system will replace the old system in which the work unit provided its workers' healthcare needs. The benefits level will be capped at about four times the average annual in China, or RMB50,000 (GBP3,846). Once an individual has exhausted his share of the fund, he will have to rely on personal savings to cover medical costs (Business China, 2000).

On education, the Shanghai municipal government provides nine years of free and universal basic education. In Shanghai the vast majority of the secondary schools are run by the government to provide low cost education to students after the nine year basic education. In addition, there are also some international schools, some of which are open to expatriate students while others are open to children of all races. Although most of the local secondary schools are run by the government, they are not free, parents have to be responsible for the tuition fees and other expenses. Shanghai is a major university centre in China, it has the most famous universities such as Fudan University and Jiao Tong University. All the universities in Shanghai are run by the government and are open to students throughout the country. In the past all the tuition fees and living costs were paid by the government but this policy has been changed so that parents now have to pay for their children's living costs and tuition fees.

Xinhua, the Chinese official news agency, quoted a survey by the National Bureau of Statistics that "people are optimistic about a better off life in the future as they believe the government plan is vital for improving social security system and their living standard". However, the accounts of the Shanghai informants exhibit a very different picture. First, informants show a high level of distrust to the government reports.

"They said this all the time. It's always like this, but <u>everyone knows that they are</u> <u>lying</u>. Nobody, but nobody, takes them seriously, including themselves."(Long, founder of Fada Trading, Shanghai)

"It's always the case, they only tell you what they want you to hear. That's why <u>nobody believes them</u>. Sometimes we only <u>see them as a joke</u>. We know the truth by heart, that's what it counts."(Wumin, Sales Manager, Huali Fashion, Shanghai)

Apart from the distrust towards the government, informants have expressed their lack of confidence on the public service in general. The main reason, according to the informants, is that the state is always *shuo yi tao, zhuo yi tao* (說一套, 做一套 - say one thing, do something else).

"Last year my wife went to hospital for an operation. She used to be a state employee so the costs should be paid by the government. But everyone knows that it was never the case. Yes, you can wait for those free services, if only you can keep yourself alive. You need to give them hongbao (red packet, a common expression of bribe money) in order to get a bed, to get the treatment from the nurse and the doctor, etc. etc. Yes, the services are supposed to be free, but they are controlled by those people that if you don't please them, you'd get nowhere. <u>This is China. Chinese are like that.</u>"(Guo, partner of Hai Wai Law Firm, Shanghai)

"They said it all the time: 'Communist Party takes care of you. Communist Party is dearer than your parents'. But who would believe it? What can you actually get? You have to <u>take care of yourself completely</u>. You have to work very hard to get very little pay to support your family. If your parents are ill you have to worry about their medical costs. Also you have to pay your kids' tuition fees all the way to the University. If they are not doing particularly well, then you've to pay for a place at the University. Two years ago my nephew got his exam results, he didn't do very well, it's three points short of the required mark, so my brother paid

30,000 yuan (GBP 2,307) to secure a place. You see, <u>money is magical</u>, it does everything for you. Even in exams, money can fill the gap. <u>In China everything is possible, if only you have guanxi or money.</u>"(Kwok, president of Chai Fen Snack Group, Shanghai)

"The trouble is the state policies <u>keep changing</u>, you never know what you are going to get. In the past we used to have medical insurance, labour insurance, accommodation etc, but now all these are gone. You just can't count on them for anything. They can change it overnight. Look how many things have changed in the last few years. Who know what is going to change tomorrow?"(Ping, founder of Meidi Advertising, Shanghai)

In addition to a distrust towards the government and a lack of confidence on the public services the presented above, the accounts of the informants also show a strong dissatisfaction towards the social welfare that provided by the government.

"In the old days it was <u>terrible</u>, you have to queue for everything, queues for rice, oil, meat, queues in the hospital, queues for treatment and prescription, etc.etc. Nowadays you don't need to queue anymore, because there's nowhere to queue!"(quote recalled from conversation with Fei, founder of Fada Trading, Shanghai)

"These so-called public services only mean that you've to put up with <u>their horrible services</u>, they treat you like dirt. You go to ask them a question and they just ignore you, they chat to themselves instead. It's <u>always the case</u>. It's probably the <u>Chinese characteristics</u>."(Liu, partner of Hai Wai Law Firm, Shanghai)

"We are nobody, so they couldn't care less about you, you can't complain, when you go to those places like hospital, state-run shops etc, you are not better than a beggar, you beg them to do anything that is suppose to be their job, you even have to beg them to pay them!"(Tian, founder of Huali Fashion, Shanghai)

The issue of distrust towards the government will be discussed further in Section 8.1.3. What is emphasised here is that the informants' distrust towards the government has helped to develop a lack of confidence and dissatisfaction towards government policies and social welfare. This has helped to shape the way in which informants make sense of the social welfare that provided by the government. On the other hand, the poor social welfare has further reinforced informants' distrust towards the government. It can be argued that all the elements reciprocally reinforce each other and shape the 'reality' of social welfare in Shanghai.

Taking into account the social welfare and public service that is available in Shanghai, and the changes of policies over the years, it is not difficult to understand why the Shanghai informants are dissatisfied with the social welfare that is provided by the government. It can also explain why there is a lack of trust and confidence that leads to a sense of insecurity among the Shanghai informants. Informants consistently expressed that they must 'make more money' because 'there is no one to turn to', also, money seems to provide them a sense of security because 'it does everything for you'. Because of this, creating their own business seems a way for them to secure their future as it is positively related to 'making more money' and 'be rich' so that one can have a 'stable and proper life'.

Apart from the sense of dissatisfaction that can be identified from the informants' accounts, a sense of disapproval of the social environment is also expressed. Informants continuously blame it on the "Chinese way" and "Chinese characteristics". This highlights a negative meaning of traditional Chinese values. This issue will be discussed under the section of family value in section 8.3.1.

Whilst the economic factors can largely explain the informants' stated attitude towards government and policy on social security in Shanghai, they cannot explain the negative way informants spoke of the social welfare in Hong Kong. From the accounts it can be inferred that the informants did not have the same level of dissatisfaction and anger towards public services. The majority of them expressed that public health and education are 'fine' or 'acceptable' although they 'could be better'. As discussed earlier, the Hong Kong government provided a

wide range of social security to the citizens. However, from the accounts a lack of confidence on the social security and a sense of insecurity can still be identified. As this cannot be solely explained from the economic dimension, it is useful to examine the cultural and societal dimension.

8.1.3 Social Security – Cultural and Societal dimension

The fundamental philosophical basis of Chinese culture, Confucianism, defined five basic relations *wu-lun* (five relationship) and has specified the order of ranking, with the first names given preference: father-son, husband-wife, elder brother-younger brother; ruler-subject (or boss-subordinate, master-servant), and as well as these clearly hierarchical distinctions, there is a more general set of rules governing expectation of trust and reliability between friends (Redding, 1990). This constitutes the fundamental value of Chinese culture that emphasises the absolute power of the ruler, that is, the emperor. Traditionally the wealth of the country ultimately belonged to the emperor and to no one else. The commoners exist for the sake of the emperor, therefore it is their duty to work hard in order to pay tax to the state. On the other hand, the duty of the emperor is to maintain the stability of the country so that the peasant can work hard to support their living and pay their tax to the state. China was ruled for most of its history by a patrimonial bureaucracy which consisted of mandarins representing the personal power of the emperor. Thus the writ of the emperor, which was not subject to a clear system of law, penetrated all corners of the empire (Redding, 1990). Therefore, the state itself could act as predator rather than guardian. China's benevolence towards its people was always limited by the constraints of maintaining central domination, and the tradition of a government which could often be more rapacious than responsible is remembered (p.91). Therefore, people would try to avoid the involvement of the state or the government officials in their daily life. There is common Chinese metaphor that '生不入官門, 死不入地獄 - *when you are alive you don't want to enter the state's building, when you're dead you don't want to go to hell*'. From the saying, one can understand the extent of the negative meaning of the state's involvement that is equivalent to hell. This has developed into distrust towards the state so that they want to minimum contact

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with the state office. This traditional attitude can still be reflected in the accounts of the Hong Kong and Shanghai informants.

Traditionally Chinese people live on the mercy of the state, an emperor was considered a great emperor if the taxation rate is low. People were powerless, they believe it is their responsibility to pay tax but expect nothing in return. In Shanghai, this negative meaning was reinforced by the unreliable and poor public services that provided by the Chinese government. This, however, was not applicable in Hong Kong. Hong Kong was a British colony so its legal, banking and finance and legislation systems were very different from the traditional China regime. This had a deep impact in the quality of public services that were provided by the government. In a way this has diluted the traditional values, beliefs and behaviours towards the government and state policy considerably. In the aspects of public health and education, many people rely on the public services and therefore it has become part of their life. However, the traditional Chinese view of distrusting the government can still be found in the aspects of social security. The Hong Kong government has provided a comprehensive range of social security to the people, but the traditional view of the state still shapes how people make sense of the social security system. From the accounts of the informants, many of them said that they never thought of claiming social benefit. This is influenced by the traditional view that normally the state would not give anything to the people for nothing. Therefore, people have to work hard in order to survive because there is 'no one to turn to' and definitely not to the state.

A further element that helps to shape the people's stated attitude towards social benefit is the Chinese traditional work ethic. Dedication to hard work can be traced back to Confucianism statement that "*qin you gong, xi wu yi* (勤有功. 戲無益) - *work hard is beneficial, play has no benefit*". This is a common statement that every primary school students would be taught. Under this work ethic, students are expected to work hard to get good exam result, adults are expects to work hard to support their families. The person who is not working as hard as he or she might for the common good will come under intense social pressure. In other words, he/she would 'lose his/her own and his/her family's

face' (see section 8.4.1.2). As mentioned earlier, people are expected to take care of themselves and their own families, therefore relying on social benefit or public service conveys the sense that the person is incapable, lazy, irresponsible, greedy and therefore has 'no face' – the worst that one can be. In the case of social security, as it not available to everyone, this conveys a meaning that those who are claiming social benefit are taking advantage of other people. From the account of the informants a negative meaning can be identified and it can be inferred that the negative meaning of social benefit is reinforced through social interactions.

"About twenty years ago my brother got me an application form for the public rental housing, I filled the form and sent it off. Then after a while I thought I couldn't do that bad, to live in public rental housing. I could at least get my own flat in the future. Therefore I wrote to the government to withdraw my application."(Zhong, brother of Ching, founder of Ho Yuen Factory, Hong Kong)

"When people asked where I lived I dare not tell them that I live in public rental housing, people look down on a 'public housing boy'. They thought that we are greedy. In a way I felt that I'm inferior to the people who live in private flats. I used to fancy a girl but she lived in private flats, but I knew I didn't stand a chance because I lived in public housing. That's why I bought my own flat two years ago because I don't want my son to be a 'public housing boy' and look down on by people."(Fookyim, salesman of Ho Yuen Factory, Hong Kong)

"Our relatives are going to laugh to death if we claim social benefit. We could never taiqitao (抬起頭 - literally means raise head, means be equal to others) in front of them."(Fong, Ching's sister-in-law, founder of Ho Yuen Factory, Hong Kong)

"I don't know any friend or friend's friend who is claiming social benefit. For me it's like the final and the worst possible step that you really have no one to turn to, no family, no brothers, no relatives, and you have to go for it. I am lucky that I am not that bad."(Yin, founder of Ming Kee Factory, Hong Kong)

"I never thought of claiming social security in my whole life because when I thought of what others would thought of me, it put it off. What a shame it would be to rely on social benefit. I would be such a failure."(quote recalled from conversation with Lee, founder of Sakura Thread Factory, Hong Kong)

From these accounts it can be drawn from this that social relations play a key role in shaping the informants' shared understanding and attitudes towards social benefits. As the negative meaning of claiming social benefit is shared among the social group, people who have to claim social benefit lose face and will be looked down in the social group. For the informants, in claiming social benefit one has to pay the highest price possible, therefore many of them do not see it as an option. This shared meaning is then reinforced in the informants' social interaction and thus become their 'reality'. As a result, for the informants in Hong Kong, their 'reality' is that claiming social benefit is not an option. They need to *'struggle for a living'* to support their own and their families' living because there's *'no one to turn to'*, which actually means *'no one they should turn to'*.

8.2 Lack of Job Security

From the accounts of the Hong Kong and Shanghai informants, they consistently use terms such as *'making money for others, end up with nothing'*, *'be fired'*, ', *'on the boss's mercy'*, *'it's somebody else's money'*, *'the money is not yours'* when talking about being employed. There is a very common Cantonese metaphor 打份牛工 (doing an ox's work) when telling others that one is being employed. The reason for this is that in the old Chinese society, ox is a major workforce in the field and after working in the field for years, when the ox is too old to work, it'd be slaughtered by its owner or sold to the butchers. The expression carries a meaning that working for others your fate is like an ox, spend all the effort working for the master and end up with absolutely no reward but only punishment when one is no longer able to work.

From the analysis, a lack of job security can be identified from the informants' accounts. This highlights the relationship between employers and employees in terms of trust. From the accounts it can be inferred that there is a lack of trust

between the two parties. The issues that both parties are concerned about are limited job security, promotion opportunity and limited pay. These issues will be presented and discussed in the following section.

Although the Hong Kong Government aims to keep its intervention in the business to a minimum, it has provided a regulatory and administrative environment in improving working conditions, occupational safety, health and employee's right and benefits. It aims at applying relevant international labour Conventions as the local circumstances allow. With effect from April 28, 2000 Hong Kong has applied 40 Conventions, exceeding most countries in the region. The Employment Ordinance, which administered by the Labour Department, provides the framework for a comprehensive code of employment. It governs the payment of wages, their termination of employment contracts and the operation of employment agencies.

In Shanghai, as mentioned earlier, the majority of the work force were working for the state in the past. The *danwei* (work unit) took care of the employees' income, accommodation, medical and retirement pension. Even when there was misconduct on disciplinary grounds, the work units could not dismiss the employee. In many cases the employee would be criticised openly, and would be asked to write a note to admit his/her mistake, reports will be sent to the organisation that the work unit belonged, the incident would be put in the employee's personal file but he/she would still keep the job as long as he/she admit his/her mistake. In very exceptional cases dismissal was unavoidable, and the work unit would have to look for a job for the employee in other work units so that the employee could 改過自新，從新做人 (correct his/her wrong doing and be a new person again). Therefore in the past, employees' income was secured, in a sense it was like life employment.

However, since the beginning of the economic reform that lead to the privatisation of the state-owned enterprises, many state owned enterprise faced the problems of downsizing, redundancy and closing down. As a result, once life employment no longer exists, employees can be fired or made redundant with none or very little

compensation. In the private sector, the law to protect the right of employee is kept minimal. There are rules and regulations in working condition, safety and health but not in the area of employment termination. Unlike their counterpart in Hong Kong, employees in Shanghai do not have the right to ask for wages in lieu of notice unless it was stated in their employment contract. Besides, many companies do not have any formal contract with their employees. It is fair to say that majority of the employees do not have any protection in the area of employment termination.

According to the Employment Ordinance, Hong Kong residents have the right and freedom to form and join trade unions. At the end of December 2001, there were over 650 employees' unions, employers' associations and mixed organisations of employers and employees. However, the trade unions in Hong Kong are playing a leisure and recreational role such as organising day trips, adult learning courses and trade discounts etc. Rarely have the trade union dealt with employment disputes. Therefore, most of the employment disputes are handled by the Labour Department, a government body. Whilst in Shanghai, according to China law, employees have the right to join trade unions. However, it is required that each trade union must have members of Communist Party in the senior managerial position. Trade unions in China have become an unofficial government body to educate and promote Government policies. According to the Shanghai informants, trade unions are the government's *'eyes and ears (耳目)'*, so turning to trade unions for help in employment disputes, according to the informants, is *'nonsense'*.

Although Hong Kong can be regarded as a place where employees' right are relatively well-protected by the law, a lack of job security can still be identified from the informants' accounts. According to the informants, the law can protect the employee by ensuring their wages are paid by the employers, but it does not protect the employees from being fired.

"The law only protects you in the sense that you get your wages or wages in lieu of notice, long service payment, that sort of things, but it doesn't stop you from

being fired. You lost your job anyway."(*Ang, founder of Fookshui Catering, Hong Kong*)

Ang is drawing upon his personal experience to illustrate the lack of job security. Before setting up Fookshui Catering two years' ago, Ang was hired by a Plastic Injection Factory as a purchaser. He had worked there for nearly fifteen years. The main reason of his dismissal, according to Ang, was that he had a row with the owner's wife and was then fired immediately.

Ang: "They (employers) can <u>fire you whenever they want</u>. As long as they give you enough money."

WL: Did you ever think that it's an unfair dismissal? Have you sought help from the Labour Department?

Ang: "Unfair? There's <u>no such thing as unfair</u>, he's the owner and he can hire and fire anyone he likes or dislikes. That's the way it is, isn't it? Going to the Labour Department? I never thought of this as an option. They didn't owe me wages or anything, so there's no point to go to the Labour Department. It wouldn't help anyway."

WL: "How do you know it wouldn't help if you never go to them?"

Ang: "Well, the government, what would they do to help you? We are just little citizens. They're not going to help you anyway. Why should they? It's fair enough if the owner didn't want you in the company any more, <u>they have the right</u> to do so. It's his company after all. It is <u>always the case</u> if the owner want you to go, you have to go. Beside, I've <u>lost enough face</u> by being fired, no point to make it worse by going to the government department." (Ang, founder of Fookshui Catering, Hong Kong)

Other informants who are working as employees talk about their employers in a similar way.

"Working for others you <u>can't expect too much</u>. You spend your time in the company and get paid for your time. If they don't want you, you have to go. After all it's not your company and you don't have the right to say anything. <u>Unless you are their family or relatives</u>"(Chow, purchasing manager of Dynasty Garment Factory, Hong Kong)

"In Hong Kong if you are fired, you are fired, in the West you can go to the trade union but it's not the way it works in Hong Kong. Besides, if they want you to go, you have <u>no face</u> to stay anyway."(Fong, sister-in-law of Ching, founder of Ho Yuen Factory, Hong Kong)

"Everyday there are hundreds of thousands of people being fired in Shanghai. It's more than normal. If the boss doesn't want you, they can simply tell you not to come to work the day after, as simple as that. It's always the case, it's not like the old days that they have to report to the organisation it belongs. Nowadays they are the bosses. If they think you are not good enough, then you have to go."(Qiang, Production Manager, Chai Fen Snack Group, Shanghai)

From the employees' accounts several major issues can be identified. First is the distrust of the government and government policies, which has been discussed earlier. Second is the traditional belief of the business's owners having absolute power. Third is the employees' distrust of the owners, which will be discussed in Section 8.2.1. Also it has highlighted the special meanings of family and relatives related to business. These issues will be discussed in more detail in Section 8.3.2. What has been presented was from the perspective of the employees. Now the accounts from the employers' perspective are presented:

"Sometimes people said we are heartless by firing the employees. Some employees said that they wugongyoulao (無功有勞 - had worked very hard, though may not had major contribution). Yes, I do recognise this, but the thing is, they did get paid for what they did. The company didn't take advantage of them. It's a <u>fair deal</u>."(Ching, founder of Ho Yuen Factory, Hong Kong)

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"There's no such thing as commitment, you might try to keep a employee based on your sense of responsibility, tomorrow they might found another job and fire you. What is worse is, they might steal your customers and start up their own companies. It's the way it is."(Sik, founder of Ho Yuen Factory, Hong Kong)

"I never feel guilty or anything when firing someone, if they are no good, they have to go. This is not a charity, we need to work hard to survive."(Li, founder of Huali Fashion, Shanghai)

"To run a business is not easy, you can't afford to feed incapable employees. It's not liked in the old days that people can just show up for a few hours and get paid. It's all about efficiency nowadays. I've fired the old staff first thing when I was in charge of the advertising department. These people are like a cancer lump in the body, you either get rid of it or get killed." (Ping, founder of Meidi Advertising, Shanghai)

"In business you can't be too kind, if the people are no good, then keeping them in the company would only ruin the business and this would affect other people and the whole business. A business is a business, you can't take care of people who are useless. If I take care of them, who'd take care of me?"(quote recalled from conversation with Sheng, founder of Luckystar Trading, Hong Kong)

From the accounts of the employers and employees from Hong Kong and Shanghai, it can be inferred that there is a lack of mutual commitment between the two parties. For the employees, they concluded that from their experience, their employers do not have the commitment to keep them employed and that their future in the company is rather limited. Therefore, for them it is unnecessary to be fully committed to their employers. On the other hand, for the employers, from what they *'heard and saw'*, they emphasised that the employees do not have the same level of commitment as their families and social networks, so they could not be trusted in the same way. This lack of mutual trust and commitment is reinforced by the traditional beliefs about business owner having absolute power, which will now be elaborated.

8.2.1 Chinese businesses – the empire

As discussed earlier, the fundamental principles of Chinese philosophy, the Confucianism defined five basic relations *wu-lun* (five relationship), which clearly specify hierarchical distinctions of interpersonal relationships and conducts. The interpersonal relationship between the ruler and subject (or boss and subordinate) is that the ruler has absolute power over the subordinate, that is, in the business term, the boss or the owner of the company. Although there are studies which emphasise that Chinese run their business like a family, it is argued here on the basis of findings from this investigation that Chinese businesses are run like empires. From the accounts of the informants, it is shown that for the family members of the owners, the business can be seen as an extension of family while for the non-kin members, the relationship between the owners and the employees is more like the traditional relationship between the emperor and his subordinates. Business owners, therefore, enjoy having a much higher social status and absolute power over the employees. This issue of social status will be discussed separately in section 8.2.2. What is emphasised here is the level of commitment between the employer and the employee. In an ancient Chinese empire, traditionally the wealth of the country ultimately belonged to the emperor. This traditional value still hold true in today's Chinese business, a Chinese business belong to the owner and his/her family and no one else. The employees gets paid for their work and there is no other obligation that the owners owe to the employees. If the owner wants the employee to go, then the employee has no right to stay. From the accounts shown above, it can be argued that this meaning is still shared by the informants in both cities. Both the business owners and employees have consistently expressed that employers *'have the right'* to fire employees *'as they like'* because *'the business belong to them'*. On the other hand the employee express that they *'have no right'*, are *'powerless'* and *'no other option'* if they are being fired because it is a *'fair deal'*.

The traditional belief of the absolute power of the employers, and the lack of trust towards the employers and the government, have resulted in lack of mutual between employers and employees, and lack of job security, this can be identified from the informants' accounts. This is further reinforced by the ongoing social interaction of the informants. Informants consistently refer to their own and their

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social relations' experience, for them, being fired or firing an employee is *'more than common'* and *'the way it is'* because they *'heard about it all the time'*. Therefore, it can be inferred that the lack of job security is shared and institutionalised between both Hong Kong and Shanghai employees. Because of this, informants found it necessary to look for alternative employment, that is, to be owners themselves so that they can have *'more control of life'*.

8.2.2. Social status

As mentioned above, a Chinese business, in many senses, is seen as 'an empire' and the owner is seen as the emperor. The emperor, according to the traditional Confucianism value, has the highest social status possible and therefore has the ultimate power over the nation. The emperor's subordinates, on the other hand, are the emperor's servant at the emperor's service that their main duty is to aid the emperor to run the country. It can be inferred that this view still holds true nowadays as it is shown from the informants' accounts. This is shown from the way the informants use the terms *'the emperor'* to refer to the business owners and the *'the royal family'* to refer to the owners' family. The meaning can also be found in a very common metaphor: *ling wei ji tou buwei niu wei* "寧為雞頭, 不為牛尾 - *It is better to be a rooster's head than a cow's tail*) to illustrate the different between being a business owner and an employee. In a Chinese context, head is considered the most important part of the body and is often related to leader while tail is related to the least important part of the body. The metaphor shows the meaning of the business owner as the most important and powerful person in the business while the employee, even in a big company, is negligible. As social status, wealth and face are closely related, it is not difficult to understand why the informants have spoken positively of new venture creation and negatively of being an employee.

8.2.3 Job prospects

Another issue that leads to the negative meanings of being employed is the issue of job prospects. According to the informants, they believed that they have no chance of being employed in a senior position because they do not have a kinship relation with the owners. The employers, on the other hand, said that they

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believed that the employees are not committed to the company and would leave the company if they could find a better opportunity. Therefore, if these employees were promoted to senior positions and were given access to sensitive information, they are likely to take the useful information with them. This has shown a lack of commitment from the employees' side and a lack of trust on the employers' side. These understandings towards each other are shared and shaped through ongoing daily interaction and this has shaped the reality that employees without kinship ties have limited job prospects. As a consequence of this, a shared meaning is that if one is really capable, one can own one's own business because of the limited job prospects of being employed. This is indicated in both the Hong Kong and Shanghai informants' accounts, they consistently expressed that working for others is *wasting of ability*', *'wasting of ti*me' and therefore if one is *'capable'*, he/she should be able to be the boss (owner, see Appendix I) rather than being employed.

8.3 Family and business

From the accounts that were presented in chapter 5 and 6, it can be inferred that the notion of family relates strongly to the process of new venture creation in Chinese subcultures. It plays a key role in terms of sources of capital and labour, risk management, social support, motives and intentions. It is therefore, essential to understand the notion of family in Chinese context. From the analysis that presented in chapter 7, a difference in family values between the two Chinese networks is identified. This is especially salient with regard to the aspect of obligation towards family members, especially to parents. Another major difference is the issue of family name and its relation with new venture creation. According to the accounts, family name, social status and thus 'face', are their major motives for the Hong Kong informants while for the Shanghai informants, their own social status and face are emphasised. It is therefore, essential to examine the issue of family values in the two different Chinese subcultures.

From the accounts of the Hong Kong informants, they have shown a sense of obligation towards their parents. They have consistently expressed that it is their responsibility to provide for their parents' living and therefore one of the key motives for them to create new ventures and to 'make more money' is to provide a

better living for their parents. Another major issue that can be identified from the analysis is that informants expressed their view they and their family members, including their parents, siblings and children all belong to the same unit. This is especially salient in aspects of family savings and human resources. Both Hong Kong and Shanghai informants admitted that they have used family savings in the process of new venture creation. However, from the accounts, a different meaning of 'family savings' can be identified between the two networks. For the Hong Kong business founders, they 'used' their family savings, including their parents, sibling and children's savings when creating new business. While for the Shanghai business founders, they 'used' their family savings, which including their spouses and children's savings and 'borrowed' their parents and siblings' savings. From this it can be inferred that the notion of family savings and thus family is different in the two Chinese subcultures. Therefore it is necessary to examine the issue in depth. Firstly, traditional Chinese family values should be considered.

8.3.1. Family values

The fundamental source of Chinese philosophy – Confucianism - provided the philosophical basis for the filial piety which supports family structures and in turn the state itself. According to Redding (1990 p.47), it was the basis of a gentleman's education, a prerequisite for a career in government and the eventual source of control for society at large. It was the main contributor to the making of a highly integrated society in which the elite and the peasantry shared the same world-view via a common literature culture. Filial piety therefore, is commonly seen as the foundation stone of Chinese society. Redding provide a further explanation of how this works:

> "In the family setting, a feature which enhances the power of the father-figure is common ownership of family belongings. Possessions are normally seen as belonging to the group, and although individuals may have stewardship of certain of them, the right to call them in (and the reciprocal obligation to return them to the pool) is sufficient to prevent the emergence of the kind of psychological separateness which allows the

central authority to be challenged. Without clearly independent resources, the individual remains bound and to some degree disenfranchised."(p.59)

Another reason enforcing traditional family values is that, in China, the state has not traditionally maintained order by jurisdiction. Civil law was not developed (Wu, 1967). Instead, a system grew up in which "the social order could operate by itself, with the minimum of assistance from the formal political structure". For this to work two crucial components were required: getting people to understand their prescribed roles and obligations; and ensuring, largely through fear of punishment, that the prescribed role behaviour was maintained. Therefore, for a Chinese person, it was role compliance which protected him, not the law (Redding, 1990).

Wolf (1968) has provided an illustration of the working of the role setting in Chinese context:

> "A Chinese son's first duty is to obey, respect and support his father. Children exist for the sake of their parents. When a Chinese son dies before his father and is thus unable to take care of him in his old age, the father is expected to ritually beat the coffin at the funeral, 'to punish the child for being so unfilial as to leave his father alone in his old age'"(p.46)

The traditional value that children exist for the sake of their parents and are expected to take care of their parents in their old age can be found in the Hong Kong informants' accounts. As mentioned earlier, the informants have consistently expressed their desire to make more money in order to provide a better living for their parents. Following this, I asked the informants their reasons behind this.

"It is the duty of the children to provide the best living for your parents. Otherwise what is the point of raising children?"(Ang, founder of Fookshui Catering)

"Sometimes people keep talking about so and so's son making so much money each month. But it's not the point. It depends on how much he give his parents. If he keep all his income for himself. What is the difference whether he is making one thousand or ten thousands? Of course if you are doing well your parents have face, but if you are doing well and still you are mean to your parents, then it is consider buxiao (不孝 unfilial). Your relatives would not see you as anything and you and your parents will lose face."(Ching, founder of Ho Yuen Factory, Hong Kong)

Tan, founder of Dynasty Garment, has used a 'water lily leaf' to describe his relationship with his family.

"I move to Hong Kong in the early 80s, I had no family in Hong Kong. In some people's eye they might thought that I am totally on my own with no ties. Actually it is not like that, people like us are like a water lily leaf. I might look like I am on my own on the water surface, no root, no ties. But deep down the water it has my root. It's my family out there. Also there are other leaves on the surface of the water that we might seem unrelated, but deep down we are from the same root. I came to Hong Kong on my own, like a leaf floating on the surface of the water, but I worked hard to supply my family, like a leaf working hard to provide food for the whole plant to grow, while at the same time I'm supported by them. This is exactly what we are like. No matter how far I am from my family, my link with them will never break. I live for the sake of our family, without root, without family, I am nothing but a dead leaf."

From the accounts it can be inferred that the notion *xiao* (filial piety) is shared among the Hong Kong informants. Studies argue that the strong family values in Hong Kong are due to the economic environment and housing problem in Hong Kong that means children cannot afford to live on their own (Heller, 1991). So they have to live with their family and this lead to stronger family values. This argument, however, is questioned for several reasons. Firstly, if economic environment and housing problems are a reason for the strong family values, then Shanghai informants, who live in a city with more severe housing problems and

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economic environment, would show a stronger family values than their Hong Kong counterparts. In addition, from the accounts of the Hong Kong informants, it is shown that the reason for living with their family is a social rather than an economic issue. For many informants, most of them live with their family and give a major part of their income to their parents. With this part of the income, they could have found place of their own easily. Ying, a Hong Kong informants, provided a very insightful accounts.

Ying is a niece of the founder of Ho Yuen factory, she graduated from the University with an Accounting Degree and she started working in an audit firm. A few years ago she went to England to pursue a Master degree in Accounting. She is now a certified public accountant in one of the biggest audit firm in the world. Though in her early thirties, Ying still lives with her parents and brothers. This would seem unthinkable in the West for someone who could have been financially independent long time ago. But for Ying, it is a different story. I asked if she ever think of living on her own.

"Yes, I can't say I never thought about it. Living on your own is getting more common now. But it's just won't work for me. It wasn't a money problem, with the money I gave to my mother every month, which is HK$16,000 (GBP1,454) per month, I know I could find a place easily. A few years ago I did think of renting a place of my own. But there are so many things to sacrifice. First, it is always better to live with your family, with your family you feel safe, you don't have to worry about things like how to get along with people, you don't have to worry about if people would betray you. With your family you feel the safest.

The other thing is of course, money. I didn't have enough money to buy a flat, so it is no point to pay rent to others while you can benefit from living with your parents and also give them money. For me it's a mutual benefit, it's not paying rent but carrying out your duty to your parents. The other thing is that if I move out, then what are our relatives going to say about me and my parents? For boys it is fine because they need to have their own place after getting married, so getting a place is like a step for their future. But for girls it is just strange. People would think that there must be something wrong with me, that I must be a

very unfilial daughter who is so selfish and does not take care of her parents. Also they might think that I must be doing something immoral like living with a man or something. Which is totally unacceptable for our relatives. If I moved out, it is like I betrayed my family and network and it's a big thing. I would have lost both my own and my parents' face. I would have no face to see my relatives in Chinese New Year or any other occasions. Some might say that living on your own is more fun, more private space to live on your own, but I don't see any problem with living with my parents and brothers. We are a family and should be together."

Moving out you have too much to <u>sacrifice</u>, what is the point? It is not just our relatives, but if your friends and colleagues know that you are not living with your parents but living on your own, they would think there must be something wrong with you. They would think if you can't even get along with your family, then you must have something very weird. Your boss would think that you must have some problems in interpersonal skills. Besides, I don't think I would be happier by living on my own. Living with my parents we see each other everyday and we take care of each other. Our family may not be the closest as compared with our relatives, but we do care about each other. Sometimes when I was busy at work that I couldn't see my little brother for a few days, I would miss him a lot. Living on your own you have nothing, you have to watch telly on your own, you have to cook for yourself and wash your own clothes, when you go home there is no one there. What a <u>miserable life</u> it would be. I don't want that. Actually for girls we don't have many years to live with our parents. After getting married I would have my own family and I can't live with my parents any more. Therefore it is something that I should cherish now. All my cousins were living with their parents before they got married. It is the way it is." (Ying, Ching's niece, founder of Ho Yuen Factory, Hong Kong)

From Ying's accounts, a major issue is the special bond between children and parents. There is a strong sense of obligation that children should provide their parents with a living, and it is not just financially but also physically by living with their parents to take care of them. Another major issue is that there is absolute trust between family members. Ying has expressed that living with her

family is *'better'* and the *'safest'*, while with people from outside *'cannot be trusted'* because one may be *'betrayed'*. Also the account has highlighted the impact of social relations and social interactions in reinforcing the informants' family values and morality. Ying has repeatedly drawn upon the opinion of 'other people', 'relatives', 'friends' and 'colleagues' when justifying her own opinion. From the accounts, it can be inferred that the family values are shaped and reshaped through continuous social interaction, this then shapes the informant's 'reality' towards family and family values. These values then reciprocally shape the way informants make sense and enact their environment, which in Ying's case, by choosing to live with her family because it is socially acceptable, thus makes her feel *'better'* and *'safer'*.

The strong traditional sense of obligation to parents is also found in other Hong Kong informants' accounts. However, in the case of the Shanghai informants, they did not show strong sense of obligation towards their parents. As a researcher who is bought up in Hong Kong and is embedded in the shared meanings of family values, I was surprised by the difference which lead me to a further investigation of this matter. From the accounts of the Shanghai informants, majority of the Shanghai informants expressed their belief that family includes their spouse and children. Their parents they see as distant family. Also, with regard to providing their living, the Shanghai informants have completely different opinion.

"Sometimes I would buy them something or on Chinese New Year I gave them some money for the festival. They live on their pensions."(James, founder of BHAM IT, Shanghai)

"I live with my parents, but I don't give them any money, I save up my income in my own account. All the family's expenses are from their own income. Both my parents are working for the state and they have their own income. They didn't ask for anything and I don't think they need my money anyway. So I save it up myself."(Stella, sales representative of Sky Property, Shanghai)

"In Shanghai normally parents do not expect anything from their children. As long as their children are doing fine, it is good enough. You can't count on your children, can you?"(Tang, founder of Jiangan Packaging Factory, Shanghai)

From the Shanghai informants' account, a very different set of family values is identified. The informants did not seem to be influenced by the traditional Chinese relationship rule, *xiao* (filial piety), that is, they do not have the same sense of obligation as their Hong Kong counterpart. Their showed attitude towards family, in a way, is more aligned to the Western style. This issue will be discussed in later this section.

Another major issue that can be identified from the informants' accounts is family name. According to the informants' accounts, rebuilding the family name is one of the key motives of creating new ventures. This finding is supported by many other Chinese business studies. The reason is mainly attributed to the traditional Chinese culture. As a consequence of the Confucian state ideology designed to leave welfare as primarily a family issue, and to concentrate people's loyalties on the family as a means of stabilising the state, the family is the first and last resort, and for most the only resort (Redding, 1990). An inevitable consequence of this is the rivalry of families as they seek to control and accumulate scarce resources in competition with each other. Individual achievement becomes an aspect of family achievement (Wilson & Pusey, 1982) and is therefore related to family name and face.

From the Hong Kong informants' account, the informants have consistently expressed that one of the main reasons of running their own business is to make more money so that their can *guang zong yao zu* '光宗耀祖- *brighten their family name'*. In traditional Chinese society, the notion of what a family is extends beyond its members to encompass its property, its reputation, its internal traditions, its ancestors' spirits, and even its future unborn generations (Yang, 1945 p.45). However, this issue is rarely mentioned by the Shanghai informants, the only informants who mentioned this is Zhao's family, who originated from Chaozhao, a conservative Southern city and hometown of many successful

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Overseas Chinese businessman. The original Shanghai informants mainly talked about the social status and face to themselves but rarely mention their parents or family name.

To understand the difference in family value between the two Chinese subcultures, it is necessary to examine the historical and political environment of the two cities. In late 19th century, the increasing foreign trade and tension between China and the Western countries had increased consciousness of China's backwardness. Because of this, several attempts were made by the late Qing emperor and his subordinates to modernise the country but without success. The backward, weak, and powerless China had led to invasions by Western countries in the 18th to 20th centuries. In the first few decades of 20th century, China was in political and economic turmoil. The backwardness of China, in contrast to the powerful Western countries, had lead to positive attitude towards Western ideas, culture, goods and people. Traditional Chinese culture was blamed as the main reason of China's backward and was considered as out-dated, hypocritical and superstitious. As Shanghai was recognised as the most important seaport opened to Western trade, these negative attitudes were particularly prominent. As the commercial, industrial and financial centre in China in the early 20th century, Western companies, people and goods were the characteristics of Shanghai. Shanghai is considered the most Westernised city in the country, as 'West' was equivalent to modern, well-developed, prosperity and fashionable. Shanghai people were very proud of themselves and their city and regarded people from the rest of the country as 'narrow-minded, old-fashioned peasants'. This has won Shanghai people a bad reputation of *chong yang mei wai* (崇洋媚外-post-Western, flatter foreigners) in China. By the same token, the traditional Chinese culture, including Chinese family values were largely undermined in Shanghai.

After 1949 the Communist Party took over China, all the Western characteristics in Shanghai that were inherited from the 'Old Society', including companies, stock market, and horse racing courses were accused as 'Capitalist Enemies' and were largely destroyed or abandoned. Shanghai was transformed to an industrial city and was dominated by large state-own enterprises. While destroying the

Western values, the Chinese government did not make the attempt to restore the traditional Chinese culture. Instead it aimed to establish a new set of relationship rules with the Communist Party in the centre. This, as Wong (1995) pointed out, was to carry out a social engineering. Basically the Communist Party took over the role of parents in traditional Chinese family. Under the slogan of 'father is proximate, mother is proximate but not as proximate as Chairman Mao (former leader of Communist Party)', the state (it must be noted that the state is equivalent to the Communist Party in China) took care of people's education, job, accommodation, medical and retirement. People therefore have to rely on the state rather than their family in almost every aspects of their life. As a consequence, the traditional Chinese family values were not given the space to be preserved in.

During the Cultural Revolution that took place in 1966-1976, most of the cultural heritage and traditional Chinese ideas were brutally attacked and destroyed. Confucian, Taoist, Buddhist and other ancient Chinese philosophers were used to attack each other. Tradition Chinese family values, together with other traditional Chinese values that were established in thousands of years, were suppressed and destroyed within a decade. Shanghai as the most important industrial city was considered as the most 'modernised' city with the new 'thinking'. Although the "Old Shanghai" thinking was suppressed for several decades, Shanghai people never forget their great history and their close connection with the West. Thanks to the economic reform that begun in the early 80s, Shanghai begun to regain its position as the financial, commercial and industrial centre in China. The traditional Shanghai beliefs and values, that is, the post-Western capitalism is no longer criticised or suppressed but instead was highly regarded for its contribution to the economic reform. Because of this, the old Shanghai post-Western thinking was 'back on track' whilst the traditional family values, whether it is in the 'Old Shanghai' (prior 1949), liberalised Shanghai (after 1949) or modern Shanghai was never prominent. The post-Western thinking also helps to shape the negative attitude towards the 'Chinese', 'Chineseness' and 'Chinese characteristics' that are shown in the Shanghai informants' accounts.

In Hong Kong, on the other hand, the traditional family values had a very different destiny. Hong Kong was a British Colonial since 1898 but its population was dominated by ethnic Chinese from Mainland China. In order to escape the regime of communism, hundreds of thousands of Chinese people, mainly from Guangdong province, Shanghai and other commercial centres entered Hong Kong during 1949 and 1950. The population of Hong Kong increased from 1.8 million in 1947 to more than 4 million in 1970. The rapid growth of population has created major problems for the colonial government in maintaining the stability and social order of the colony. With the lack of a stable society and social security system, which has mirrored the social environment in China's history, the traditional Chinese family values were reinforced in that families found it necessary to rely on their families and networks in order to compete with other families for scarce resources. As a result of this, Chinese people are pulled to their families but they are pushed too because there was genuinely nothing else to turn to.

Unlike Shanghai, the traditional Chinese customs, values and culture were never suppressed in Hong Kong although it was ruled by British Government for over one hundred years. The Hong Kong government has tended to respect Chinese customs and refrain from initiating family reforms. In public housing, for example, it has taken into account the desire of the Chinese inhabitants to live with their elders after marriage. In taxation, it yielded to popular demand in granting tax allowances for the support of parents (Wong, 1995). In education, Chinese language is used in most of the classes, daily communication, as well as in official and unofficial functions. Chinese values and culture were taught in schools and shared among the social group through daily communications. Furthermore, the media plays a key role in reinforcing traditional Chinese values through soap opera, movies, period drama and Chinese opera. As a result of this, the traditional Chinese values have been well maintained and in many cases, prevail over the Western customs, values and beliefs. Nowadays in Hong Kong, it is not unusual to see Westerners conducting a traditional Chinese open ceremony in a modern office with incense sticks, candles and cutting a roasted suckling pig in the middle of a worship table. Or to hear a local Chinese clerk confronting his/her Western boss by quoting a thousand-year old text with perfect seriousness

as an authoritative guideline to a modern business problem. In 1986, the newly appointed Governor of Hong Kong, Sir David Wilson had to change his official name in order to fit in a 'better' and 'more popular' Chinese name. In short, the traditional Chinese customs, values, beliefs as well as traditional Chinese family values are well respected and well preserved in Hong Kong. Therefore it is not difficult to understand why the Hong Kong informants have a much stronger traditional Chinese family values than their Shanghai counterparts. Therefore they tend to have a stronger sense of obligation towards their parents that they emphasise that it is the children's responsibility to provide for their parents' living and take care of them in their old ages. Also it is their responsibility to rebuild their family name so that their parents and passed away ancestors 'have face'. The Shanghai informants, on the other hand, are more akin to Western individualism because of its historical, political and economic environments. From the accounts that are presented above, Shanghai informants generally do not have the sense of obligation towards their parents. Most of the Shanghai informants expressed that "the state will take care of them", despite the fact that they know the state does not have a reliable social security system.

The traditional family values have played a key role in shaping the Chinese family business and patterns of new venture creation in Chinese subcultures. In what follows, the issue of family business will be discussed.

8.3.2. Family Business

It is argued in chapter 2 that family business is a social product, and it is through ongoing social interaction that the meanings of family business are inter-subjectively shared, shaped and institutionalised. Therefore the discourse of family business provides a resource to understand family business from a social constructionist view. In the last few chapters, the notion of family and family business is presented in several sections. In what follows, the shared meanings of family business that were inferred from the analysis are summarised.

According to business founders, a person who creates a business is the legitimate owner of the business because he/she made it happen. As family is a basic unit in Chinese society, the individual is part of his/her family. The business therefore

belongs to the owner, his/her family and successor/s. As a business owner, it is his/her responsibility to be in charge of the management of the company. As outsiders are '*not trustworthy*', it is better to have family members working in the business. Another reason for this is to train up successors for the future of the company. For the family members of the business owners, as the business belongs to the family, it also belongs to them. Because of this, it is natural for them to work hard for the business because they know the profit of the company also belongs to them. This is especially true for the sons and daughters of the business founders, it become natural for them to work in the business because they know one day they have to take over the management of the business. For the friends and relatives of the business founders, although they have no claim on the ownership of the business, but their kinship with the business owners has made them 'privileged' employees in the companies. They are trusted by the owner, with better job security and more likely to be promoted to senior positions. However, although they are 'privileged', still they are not owners and will never be the owners of the business. Therefore it is not unusual that they'd leave the company to create their own business. Whilst for the non-kinship employees, because they have no ties with the owners, they are denied the status in the company. As outsiders, they are not trusted and have limited promotion opportunities. Because of this, they found no job security or sense of belonging in the company. For some employees who are not satisfied with the limited income and job prospects, they found it necessary to save up capital and look for the right information and opportunities for them to start up their own business in the future.

To understand what gives rise to the different ways of thinking and thus the shared meanings, it is to understand the cultural background of Chinese family. Redding (1990) has provided an excellent explanation of the Chinese family.

> "In defining the family as the prime unit of society and then locking people into roles, the Confucian code created a myriad of self-controlling units. In order to do so effectively, it was necessary to ensure the inner coherence of such units, and thus facilitate the workings of the father's power. To this end, Chinese law, unlike Roman, gave legal status only to relatives and would not acknowledge strangers. Non-kin were forbidden

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household members. To be an outsider in Chinese society was deeply threatening, and this in turn added further to the magnetism of one's own family unit."(p.129)

To understand how the above applies to a family business, it must be noted that the notions of family, business and state are interrelated and even interchangeable in Chinese society. The word 'country' in Chinese is made up of two Chinese characters, *guo (國 state) and jia (家 family)*. A country is seen as a super family with vast net of families, while family is seen as a mini state. By the same token, business is seen as an extension of family and therefore a mini state or empire. By comparing Redding's discussion of a family and the shared understanding that was presented earlier, it can be argued that a Chinese business follows the code of a traditional family. It grants the business owners, their family members and relatives the legitimate status in the business while denying the non-kin outsiders. As a result, it has formed a pull effect to facilitate the coherence of the family members and relatives and a push effect to the non-kin employees towards their own family unit, and, in many cases, to create their own businesses.

As a consequence, as presented from the different perspectives, a shared 'reality' of family, business and family business in the two Chinese networks is formed. Through ongoing social interaction, the meanings are inter-subjectively shared and institutionalised among the social group. This institutionalised reality again shapes the way people make sense and enact their environment to create new family business. As a result, people in the social group behave the way they are 'expected', the non-family members behave the way they are expected as outsiders, while the family members behave as insiders. For example, the employees ask for overtime pay if overtime is required and go home after finishing work, without worrying about the business. As for the family members, they work overtime without asking for extra pay because they know that if the business does well, their collective wealth would increase. The shared understanding and behaviours of the people from both sides then further reinforce informants' shared understandings of family members, non-kin employees and

family business, which then reciprocally lead to institutionalised meanings of family business and people's expectations towards different parties.

8.4 Social Interaction

The analysis that presented in the last few chapters has helped to illustrate a shared reality in each of the Chinese network. This thesis argued that the process of new venture creation is a social product of ongoing sensemaking and enactment of institutional context. These ongoing sensemaking and enactment are in turn influenced by the shared meanings and understandings regarding different aspects of new venture creations, forming the shared 'reality' of new venture creation. The shared 'reality' is in turn influenced by the institutional context including cultural, historical, political and economic elements. It must be emphasised that the institutional context is itself socially constructed. In addition, the different elements of the institutional context are interwoven, interrelated and reciprocally reinforcing each other.

What is presented in the last few chapters has formed a reciprocal process of meaning construction process of new venture creation. The analysis has shown different levels of sensemaking and enactment in different levels of institutional factors. However, at this stage how the values, beliefs, meanings and understandings are made aware to the individuals is still not covered. There is still lack of link between individual and their environment. That is, how social interactions shape the meanings, understanding and give rise the institutionalisation of meanings to create a socially constructed reality are questions left unanswered. Social interaction, therefore is like a 'black box' where the input and the output are known but not the process. Studies of social interaction are mainly focused on the input or the output but rarely focus their study on the process. Because of this, it is necessary to further investigate the issue of social interaction.

From the accounts of the informants, several forms of social interaction that helped to shape individuals' 'reality' can be identified. This can be classified into four key areas: daily communication, formal education, social gathering and

media. In what follows, each of the forms of social interaction and their impact on the individuals will be examined.

8.4.1 Day-to-day interaction

8.4.1.1. Family

According to the informants, many of the ideas, meanings and understandings are taken for granted and they did not know how it was formed. For them, it is *"the way it is'* and they knew it when they were very young. This is found in many issues that discussed in the previous chapters, the issues including cultural values, family values, work ethic and folk values etc. According to the informants, many of these values were instilled in the very early days of their life.

"When we first started learning to eat with the adults at the same dining table, we had to wait until everybody was ready, otherwise our parents will scold us of being impolite. There are many other rules in the dining table, for example, you have to learn how to use chopsticks properly; you can't just eat what you like because it's inconsiderate; you can't take the food that is placed on the other side of the table because it is rude; you have to finish every single grain of your bowl otherwise it's wasting food etc, etc. If you fail to follow these rules, sometimes you'll be scolded, sometimes you will be beaten. I was beaten quite often when I was young."(Siupo, son of Ching, founder of Ho Yuen Factory)

"When we were young we were taught what to do, what not to do. For example, to be honest with people, never be greedy, love our brothers and sisters, respect the elders. Also we were expected to set an example to the younger. I remember the day when my little brother was born, I was only five, during the breakfast my father told me and my brother that we have to behave well to be our little brother's role model."(Ying, Ching's niece, Hong Kong)

"I remember when I was very young, I have a impression that following what the adults do must be right because all the adults said so. I remember I once said a bad word because I heard my father said it to his friend, I thought if he says so, it

must be right, so I did. Of course I was beaten by my mother and I was warned never ever to say the bad word again."

As a parent, Ching talked about his pressure to teach his two sons at their early age:

"It is generally believed that a kid is like a blank page, what it turns out to be depends on what you do. Jiajiao (family teaching) is very important, otherwise when the children grow up they can't get along with others, they would be accused of no jiajiao (without good family teaching), this is the most insulting accusation a parent can ever get."

Leung, Ching's brother, quote a Confucian text *zi bu jiao, fu zi guo*"子不教，父之過 - *if the son is not well-disciplined, it is the father's fault"* when talking about his responsibility to educate his children in their early life.

From the accounts it can be inferred that family teaching play a crucial role in instilling the notion of disciplines, order and other ethical values at the very early age of an individual. This is achieved by the parents who are under social pressure to educate their children at their young age. This early family teaching has provided individuals with values, disciplines, and identity within the family and their role in the society at large that shape their 'reality' at their very early age. Also it tends to create a secure emotional foundation to the children and high level of trust and dependence among family members. This finding is supported by many studies which argue that family teaching is the single dominating environmental factor that shapes a child's early learning (eg. Luo, 1987; Dardness, 1991; Wu, 1996). This early reality then shapes the way individuals make sense and enact their environment when they grow up. In addition, this 'reality' is continuously shaped and re-shaped throughout their entire life. From the account of the informants, it can be inferred that the values that were instilled at their early age still play a role in making sense and enacting their current environment.

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The influence of family interaction not only plays a key role in early learning but also in every stage of life to a different extent. Formal teaching in schools is seen as a continuation of family teaching, when the students go to schools at an older age, say six or seven years old, parents do not withdrawn their role of teaching. In stead, they are expected to be supplementary to the formal teaching. Apart from playing the role of teaching, daily interaction with family members also helped to reinforce the values that individuals learnt from their early age and at schools. Also through this daily interaction, values, attitudes and expectations are shared and reinforced among family members that form social pressure for the individuals.

Daipo, the eldest son of Ching, founder of Ho Yuen Factory, talked about how he was 'forced' to carry out his duty as a son. Daipo is 21 of age, he was a year 3 student at the Hong Kong Polytechnic University and was working on his final dissertation when I met him in his home. Ching and Sik are very proud of their eldest son, the main reason is because Daipo goes to the university (In a Chinese context, going to the university is highly regarded, a university graduate is seen as intelligence, outstanding, with bright future and therefore, have face). Daipo talked about this with different feeling:

"The reason I have to quit my study of Graphic Design in Ningnan College to do a BA in Business at the Polytechnic University is because my parents want me to be a university graduate. Everyone knows that my uncle Leung's son got a medical degree from the Hong Kong University and will be a doctor. My parents want me to study at the University too. I do this for my parents. I really don't enjoy it but I have no choice. If I don't listen to my parents, I can't expect one single day of peace in my life. My parents kept talking about it every single day. It's like a fly flying around you, you can't stop it, you can't get rid of it and yet you can't stand it. So I have to give in. Beside, I think it's something I should do. As a son if you can do something within your range to make your parents happy, then why not?"

Other informants' accounts have shown similar experiences as Daipo. Many of them expressed that they are under pressure to do their best because their parents

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kept mentioning the achievement of their relatives' children. At the same time, some of the informants mention that sometimes their children mention the achievement of their friends or classmates' parents, to some extent this has pressured them to do better. From the informants' accounts it can be inferred that family interaction is a major force that helps to shape and reinforce individuals' values, meanings, attitudes and behaviours. This in turn, is facilitated by the fact that majority of the informants in the two networks are living with their families. Through daily interaction in dining tables and living rooms, individuals are deeply embedded in and form part of their proximate social setting.

8.4.1.2 Face

From the analysis that was presented earlier, it can be argued that face is a important issue in shaping the meanings of entrepreneurship in Chinese context. It is therefore necessary to discuss the issue of face to a deeper extent. It is argued that a basic theme of discipline that is instilled in the earliest family teaching is the notion of face (Hu, 1944; Stover, 1974; Redding & Ng, 1982). Although face is a human universal, and most societies civilise their members by raising their sensitivity to the views others hold of them, the importance of it for the Chinese is quite simply that much greater (Redding, 1990). However, it is difficult to give a clear definition of face in the Chinese context. Given below a few examples of expressions related to face:

> *"Big face, have face, no face, give face, lost face, give thin face, give big face, give enough face, thick face skin, love face, not giving face"*

With the various use of the term, it is not difficult to understand the difficulty in finding a term or expression in English that can be best used to describe or explain the notion of face. Studies have attempted to define face but failed to give a satisfactory explanation to the notion and its application in Chinese context. Hu (1944) has classified face into two dimension, *lian* or *mian zi.*

> "Lien (lian, face) is good moral character. It carries with it the idea of being a 'decent human being'. It is more ascribed than achieved. Mien-tzu (mianzi, face), as well as meaning the face physiologically, carries with

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it the idea of reputation based on one's own efforts. It is useful but not essential to life. It is more achieved than ascribed."

In Chinese, both lian and mian zi can be translated to 'face' in English but are used differently in Chinese. Hu distinguishes face into two dimensions based on different Chinese characters that are used in Mandarin Chinese. In Hong Kong, Cantonese is the widely spoken dialect and majority of Hong Kong Chinese do not speak Mandarin Chinese at all. In Hong Kong, the Chinese character *min* (面) is used in both dimensions, *lian (*臉*)* and *mian zi* (面子*).* Therefore Hu's discussion of face does not seem to be applicable in Hong Kong. Another major weakness of Hu's discussion of face is that he failed to address the connection between the two dimensions of face. Therefore a different classification is required here. Basically face can be classified into two dimensions – horizontal and vertical. Horizontal face is like what Hu mean by *'lian'* that mentioned above. It is like the word 'face' literally means that is the basic part of the human body that one cannot survive without it. Like a person's face, it is something that people can be recognise in their social network, therefore if one lose face one is losing one's self identity, dignity, self-respect and social status. This is especially important within the network that he/she is embedded. Horizontal face can be seen as a shaming tool to deter individual from not complying with the social rules. Losing face therefore is a severe damage to the person, this, as Hsu describes, is a "real dread affecting the nervous system....more strongly than physical fear"(Hsu, 1971).

Vertical face, on the other hand, is more related to *mian zi* as argued by Hu that was discussed above. It can be seen as one's achievement, in a sense it can be seen as quantified social currency that can be used in daily social interaction. As Redding & Ng (1982) argue, it is "a set of components adding up to a personal reputation, it consists of individual components which can be added, competed for, given to someone else, taken away, striven for (such as the size of a dowry), padded, be felt to be insufficient (e.g. to approach a superior), exchanged, borrowed, and generally 'used' in the complex process of constantly sorting the distribution of social prestige"(p.207). However, it must be noted that vertical

face can be used but cannot be lost, if one loses face he is losing not only vertical but also horizontal face. The two dimension are related but not interchangeable, losing face vertically would lead to losing face horizontally but not vice versa. Also horizontal face cannot be gained but must be maintained and protected.

Both horizontal and vertical face is the essence in the Chinese social interaction, it is fair to say that working for face is the ultimate goal of Chinese. It is through social interaction, face is maintained, protected, exchanged or even borrowed. To make it more complicated, the exchange of face often involves third parties who are not members of the immediate interaction. According to Redding (1990), this is influenced by the collectivism of the Chinese culture, as is argued by Hofstede (1980). The collectivism is in turn, reciprocally influenced and reinforced by the historical, political and economic environments. There is common expression that 'you can lose everything in the world, the last thing you can lose is your face'. The rationale behind this is that if one lose face, he/she has nothing in the society and he/she won't be able to regain it. From this expression the importance of face to individuals can be understood.

It is difficult to discuss all the aspects of face here, what is suggested here is the importance of face in Chinese society. To aid the understanding of face, Table 8.1 has summarised the major expression of face, its dimension and meanings.

Table 8.1 Meanings of face in the Chinese context

Expression	Chinese / Cantonese	Dimension	Meaning
Give face	給面子 俾面	Vertical	To do someone a favour because of the friendship or relationship with the other party or third party whom is related to the other party.
Give thin face	給個薄面 (俾個薄面)	Vertical	Normally to be used when asking someone for a favour by considering the person who is asking
Not giving face	不給面子 (唔俾面)	Vertical	To describe someone who does not consider the status or relation to another person. It can be seen as an offence.
Give big face	給大面子 (俾足面)	Vertical	Normally use to thank or appreciate people who have done a favour
Give enough face	給足面子 (俾足面)	Vertical	To describe someone who has given appropriate consideration about the relationship with the other party and does the other party a favour
Big face Have face	面子大 有面子 (有面)	Vertical	To describe someone who is influential or has high social status in the network.
Love face	愛面子 (要面)	Vertical	To describe someone who is face conscious
Lost face	丟臉	Horizontal	The prestige, reputation, credit rate or status has been damaged
No face	沒臉	Vertical	To describe someone who is lacking of status, prestige or achievement
No face	沒臉見人	Horizontal	To describe someone who has no integrity and bad reputation
Thin face skin	薄臉皮	N/A	To describe someone who is very sensitive to other people's feeling for him/her self
Thick face skin	厚臉皮	N/A	To describe someone who is shameless or insensitive to other people's feeling for him/her self

The table above can help to understand the complexity of 'face' and its impact in the social relations. In what follow, the issue of social relations will be discussed.

8.4.1.3 Social relations

Apart from family interaction, daily interaction with social relations also form a important part of social interaction. For example in Section 7.4.1 and Section 8.1.3, the meanings of entrepreneurship, monetary reward and its relation to social status and face are shaped through on going social interaction with friends,

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relatives and colleagues. According to the informants, the above issues are frequently talked about in their daily communication that the meanings are shared among the social group members:

"It is just the way it is. Everyday when you walk to the office, when you start your day, people start gossiping about others, how good they are doing, how much money they've got. Where they live, what car they drive. As you are one of them, you are comparing yourself with them. You don't want to be looked down on by others so you've to make more money."(Dabin, founder of Regent Trading)

Daily interaction, however, is not only limited to the people that the informants know. According to the informants, it also included the people they do not know:

"It is so obvious, if you walk in a shop, people look at you. If you are big spender, they like you. If you just looking around, they would stare at you and want to kick you out. Money is so important. You just can't have enough."(Ling, Ching's daughter-in-law)

Ling's experience is shared by the Shanghai informants.

"In Shanghai, people are always 先敬羅衣後敬人 *(to describe people who judge others by what people wear, it conveys a meaning of mercenary). It is therefore, very important that you have to dress up to go shopping. People in the shops are very mercenary. If they thought you are poor, they simply ignore you. Also there are places where they ignore you because you are Chinese, they like foreigners, because they thought foreigners are rich. Stupid people they are, but you can't change them. So you just have to follow the rule of the game."(Yi, salesperson, Meidi Advertising, Shanghai)*

"If you are rich, people talked to you differently. So in a way you have to show them that you are rich, otherwise they care not talk to you. It is very obvious in Shanghai. That's why I hate it, people are so money-minded."(Chang, Admin staff, Fada Trading, Shanghai)

From the accounts it can be inferred that individuals are engaged in continuous daily interaction with the people in their social setting. It must be emphasised that this is a form of interaction rather than a one-way influence. In the above example, the informants play an active role in interpreting their environment, interacting by engaging in the conversation, adjusting one's appearance to comply with the required 'standard'. It can be argued that these are forms of enactment that reciprocally reinforce the sharing meanings in the social group.

8.4.2 Education

Apart from family teaching and daily interaction, formal teaching at schools is another form of social interaction that help to shape the informants' reality. According to the informants, they learnt the rules, disciplines, and values from their classrooms. However, it must be emphasised that these rules and values are not instilled in the students, instead students have their role to play in the process. This is shown in the accounts of the Shanghai informants. In Shanghai, political training begun in kindergarten, mainly praising the Communist Party and the political leaders.

"In school they kept telling you how great Communist Party was, how great Chairman Mao was, how great the members of Communist Party are, but at home we were told differently, we were told they are lying and somehow we knew it is true because we suffered a lot when we were young. So I ignored all these lies in school."(Li, founder of Huali Fashion)

"I remembers when I was in primary one or two I read a chapter about Dengxiaoping (former Communist leader), it said something like 'beat down Dengxiaoping, he is the capitalist enemy'. I thought he must be a bad guy, when I went home my father told me his story. He told me that Deng was a great leader and had made a great contribution to the country, but he suffered a lot during Cultural Revolution. I felt sorry for him and I start to distrust what they taught me in school."(James, founder of BHAM IT, Shanghai)

"At home we were told many stories that are totally different from what they taught you in school. We were told how the state officials took advantage of their position, how people suffered. Actually sometimes it was people we know who suffered. Therefore what they taught in the textbook about how great the Communist Party was simply a joke to us."(quote recalled from conversation with Mei, accountant, Chai Fen Snack Group)

"I remember my first textbook was Chinese Language, on page one there was a picture of Chair Mao (Former Communist Leader) and "Long live Chairmao Mao" were the very first few characters I learnt, earlier than my own name. The thing is I didn't know what Chairman Mao is, and my parents never mention anything about it, so I think it must be something totally irrelevant to me. "(Tian, founder of Huali Fashion)

Education is normally seen as a one way communication where values, beliefs and knowledge are instilled in the students by the teachers. However, the accounts of the Shanghai informants have shown a different picture in that informants did not 'receive' education, they enact it. The accounts of the informants have indicated that informants actively assess the reliability of the ideas and stories that were taught in schools. This is normally done through their communication with their family, this again highlights the important of family interaction in the role of forming the informants' 'reality'. If the ideas of the two trainings are contradictory, normally the values or ideas that were taught at home prevailed. This can be understood as a result of the higher level of trust and dependence among family members, as is discussed in Section 8.4.1.1.

However, it must be emphasised that the shared values, beliefs and attitudes that were shaped during the early years are being shaped and reshaped continuously. The accounts also show how the values and beliefs that were established in the early years can be diluted or even destroyed, this is particularly salient in Cultural Revolution that the traditional values were attacked and destroyed. Students that failed to follow the instructions of their leaders will be condemned, criticised and punished.

"At that time there was no way out, you have to listen to what they said. They kept telling you what is right, what is wrong. They kept telling you your parents are 'backward', 'superstitious' and need to be 'modernised', they kept telling you that you are the 'master' that you shouldn't listen to your parents or teacher, they are 'old society enemies', everyday you saw these people being beaten, criticised or even killed. After a while you don't know what is right or wrong, you just follow others. It was disaster, absolutely disaster."(Ping, founder of Meidi Advertising)

"I remember I was about ten years old when the Cultural Revolution started. All out of a sudden the older students told you that your parents and teachers are bad. Before that, we were taught that we must respect our parents, teachers and the elders. But all out of a sudden everything turned upside down. I was confused at the beginning. But after a while when you see other classmate beating up the teachers, ignoring their parents. You start to believe that this must be the right thing to do. Everyday there were meetings, we didn't need to go to school. What we did was go to all those temples to destroy everything. We were told this is good for our country. We were told that to save our country we must destroy all the old and evil things. Then after a few years the whole thing was turned upside down again. Right turned out to be wrong and wrong turned out to be right."(Zhen, Production Manager, Wu Fu Spice Factory, Shanghai)

The analysis has showed that the experience of informants and their social relations had shaped their 'reality' and 'truth' during the Cultural Revolution. From the analysis it can be argued that self-identity, values, beliefs are continuously shaped, reshaped and shared in an ongoing process. Education, therefore can be seen as both active and proactive process.

8.4.3. Social Gathering
From the accounts of the informants in both the cities, social gathering as a important form of social interaction can be identified. Informants have repeatedly drawn upon their experience in the social gatherings when justifying their values, beliefs, attitudes and behaviours. In what follows, the impact of social gathering to the informants in the two cities will be examined.

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From the accounts of Ching, founder of Ho Yuen Factory, although he has emphasised that he *'doesn't care what other people do'* and that he *'did not like to compare with others'*, he found it *'impossible'* not to compare with others.

"If one tell you that he doesn't compare with others, he must be lying. There's simply <u>no way out</u>. In ordinary days it's fine, but on Chinese New Year Day, during the New Year visit, <u>you can't escape</u>. The whole group of relatives, over thirty people of us, all together, we visit our relatives one by one. In others' places they are nice, new, decent apartments. People would be fond of them, admire their achievement. When they go to yours it turned out to be an old, worn out flat. People feel sorry for you, you feel sorry for yourself. You don't want that. <u>You need to keep up with them</u>."

This is the Chinese tradition to visit friends and relative in Chinese New Year. Normally on the New Year Day people visit their closest family members such as parents and siblings. In Hong Kong, normally the junior family members have to pay their visits to the senior family members. In Ching's family network, his sister Wan is the oldest among their siblings in Hong Kong (their eldest sister lives in Shanghai), but Leung is the oldest male sibling. As it is generally believe that new year visit to people's place 'bring them luck', therefore there is competition on whose place they should visit first on New Year Day. It is an honour to be the one to be visited first. Ching and his brothers did not want to give Wan and her husband this honour by visiting their place first. Another issue in the New Year visit is that there is a comparison of the place they lived. A few years ago, when Wan and Sheng moved to another luxury apartment (their fourth property) in a nice location, Ching and his brothers decided to cancel all their New Year visits and all gather in a restaurant for a New Year Meal instead. Ching's sister-in-law told me the story:

"Since they (Wan and Sheng) moved to a nice, posh apartment, they (Ching and his brothers) do not want to go to their place to admire their achievement in Mid-Level (an exclusive residential area). They don't want to give the Chan family (Wan and Sheng) this kind of honour. So they decided to meet each other in a

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restaurant for a meal instead. It's much better because my place is so old and ugly as compared with their new apartments. It is embarrassing. I don't want them to come to my place anyway."(Fong, Ching's sister-in-law)

"The thing is during the Chinese New Year gathering, what would the people talk about? Your kids, how are they doing. The kind of apartment you live, what are you doing, how much money other people made. If you are doing well people look up to you. You simply don't want to be looked down on by people. Maybe you aren't really looked down on by them, but you don't want to feel that you are being looked down on by people"(Yee, founder of Ming Kee Factory, Hong Kong)

From the accounts of the informants, it can be inferred that the *'competition'* that takes place in social gathering has given informants social pressure to *'do better'* by making more money in order to be comparable with their friends and relatives.

"The only reason that our factory (Ho Yuen) keep expanding is because my parents don't want us to feel inferior to our relatives. Aunt Wan and Uncle Sheng have moved to Mid-level, that's why mother thought we should buy this new property (Ching and Sik's third property, worth 400,000GBP). But because of this we are actually in negative equity, the price of this flat has dropped a lot and the net value of the machines are low. I can understand why my parents want to do this but I don't think I agree with them. I keep telling them but they won't listen."(Daipo, son of Ching, founder of Ho Yuen Factory)

From the accounts, it can be inferred that social gatherings are important occasions for the people in the network to communicate and exchange information. Apart from Chinese New Year party, there are other gathering such as birthday parties (it is a tradition to host formal birthday parties at the age of one month, one year, 16, 50, 60, 70 onwards). Ching and his sibling are in their fifties and early sixties, therefore in the last few years, there have been quite a few birthday parties, which are normally took place in Chinese restaurant. Another kind of social gathering is wedding banquets, Ching and his siblings' children are in their twenties and thirties, a 'suitable' age to get married. There have been one or two wedding each year in the last few years. Also, there are other occasions

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such as other relatives' weddings, birthday parties or parties for overseas relatives who come to visit them from time to time. These gatherings, according to the informants, are the 'official' gatherings that must be attended by family members. Failure to do would be considered as *'not giving face'* and would be an offence.

"That year I went to China to meet my brothers and sisters for New Year. My kids didn't want to pay a New Year visit with their father (Zhong). Zhong was very upset because he 'lost face' and he accused me for this. The kids are all grown up, they have their own choice. I didn't ask them to do this and that. The following year Zhong was in China and all my kids went with me to pay the New Year visit. My relatives thought I 'have face' because all the kids pay the visit with me. They thought I am amazing to have the kids with me. I don't know, but this is what happened."

"In my son's wedding one of my nieces did not come. Her mother said she is on holiday. I know it is not true because that morning she was still in town to attend her sister's engagement party. I know we are poor so they slighted us. It's true, it's not that I made it up. A few weeks before my niece's engagement party was the dowry delivery ceremony. They asked my sisters-in-law to accompany them but they didn't ask me. They must believe that our family is poor so I don't have the good fate as others, therefore they don't want me to be there. Like I would bring my bad luck to them."(Fong, Ching's sister-in-law)

Dowry delivery (過大禮) is a tradition ceremony in South China, in the old days it was the date that the bride-to-be's family deliver the dowry to her future family. Nowadays it's more of a symbolic ceremony that only wedding pastries and some symbolic items such as coconut with Chinese characters "double happiness" on it, bedding with embodied pattern of Dragon and Phoenix (the lucky symbol of happy couple) are delivered. Normally the bride-to-be's family would invite their older, married, female relatives, normally those who are believed with 'good fate' to attend the dowry delivery ceremony. It is believe that by doing so, their good luck can be passed on to the new bride.

Fong's daughter Ying (Ching's niece) talked about this particular case in similar tone:

"I know my cousin didn't give us face deliberately. She didn't attend my brother's wedding. Didn't invite my mum for the dowry delivery. What happened is that the following month is her sister's wedding. So I boycotted that, I told them I would be out of town and won't be able to attend the wedding. Actually that night I was at home watching telly. I don't want to give them face. You know I only got one older brother and I would not allow anyone to slight him. My parents went to the wedding but my cousin just slighted them. You know in this Chinese wedding they are supposed to serve my parents tea on their knee, but they didn't, they were just standing there and hand them the tea. They didn't even call my father 'uncle' when serving the tea. My father shouldn't have accepted the tea in the first place, not to mention to give her red packet (lucky money, it is the tradition to give the newly wedded couple a red packet with money in it. It is believed that this would bring good luck to the couple) I am glad I didn't attend her wedding. If my father were as rich as Li Ka Sheng (famous tycoon in Hong Kong), I am sure she would not do the same. She would have called him uncle from beginning to the end. They would have placed my parents in the head table. When you are poor, people just ignore you" (Ying, Ching's niece)

According to her relatives, Ying is the most well educated female relative in the entire family and so she is seen as a role model for the younger girls in the social network. Her boycott of the wedding has weight because she is not nobody in the family network.

The informants kept mentioning about social gathering, especially Chinese New Year and its impact on their attitude and behaviour. It must be emphasised that informants consistently expressed that there is *'no way out'* and one *'can't escape'* from these social gatherings. Therefore they are expected to attend these 'official' social gatherings otherwise it would be consider as 'not respecting others' and made them 'lose face', if one's family members make the others 'lose face', his/her own family 'lose face'. In other words it is a price that all parties have to pay if one fail to comply to the 'rules'. Therefore it has formed a social pressure

for the informants to attend the social gathering, unless there are other reasons where informants deliberately want to make others 'lose face', like in Ying's case. Therefore it can be argued that these different forms of social gatherings are institutionalised and have become an important part of the informants' life. In what follows, the impact of the 'official' gatherings will be discussed.

Firstly, the 'official' social gathering is not just a gathering for the group to get together for certain functions. It provides an opportunity for group members to 'do' things, for example, to 'give face' or to make someone 'lose face'. Therefore social gathering provide an arena for informants to show off their achievements, to examine other's achievement or to defend their achievements. In the other words, these 'official' social gathering are like a regular oral examination, different parties need to be prepared in order to show, to examine or to defend what they have achieved.

Another issue that can be identified is the content of social gathering. From the accounts it can be inferred that wealth, status and face are the key focus of these social gatherings. Almost everything in the social gathering is related to wealth and face. From the flats that each of the family live, jewellery and clothes they wear during the party, to the food that is served during the parties. How much these things are worth seems the major issue that informants widely talked about during and after the social gatherings. Therefore it can be inferred that the importance of wealth is exchanged, shaped, shared and reinforced during social gatherings.

Thirdly, social gatherings also provide an arena for informal training and information exchange. Many of the informants expressed that they 'learnt a lot about business' during these social gatherings because the main topic that people talk about is business. Social gathering is like an informal business seminars where people shared their business experiences with the others in the same social group. Therefore it provides the younger group members an opportunity to learn about different aspects of business at their early age, while for the older group members, social gatherings provide opportunities for them to share their experiences and problems with the people they can trust. Also it provide

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opportunities for the group members to help each other to solve their problems by exchanging market information, providing sources of finance and human resources.

Apart from exchanging market information, social gatherings also provide an arena for other information to be exchanged such as other network members' behaviour (normally the person is not present). It can be argued that Chinese society is a vast network that is made up of different family unit. Therefore it is important for individuals to comply with the 'social rules' in order not to be named and shamed during the social gathering and thus 'lose face' and thus affect 'credit rating' that may affect their chances of success in the future. As discussed earlier, personal borrowings between network members are based on the 'credit rating' of the individuals in the network, therefore social gatherings provide arena for the group members to justify whether or not a person has good 'credit rating' so that he/she can be trusted.

In short, the informants from both cities have repeatedly draw upon their social gathering in justifying their values, beliefs, attitudes and behaviours in almost every single aspects of new venture creation. Therefore it can be inferred that social gathering as an institutionalised social phenomenon is the most important social interaction that helps to institutionalise new venture creation in the different Chinese subcultures. It is through these social gathering that one's achievement and thus status and face is recognised, the important of wealth is praised, the risk of running a business is justified, the negative aspects of being employed is realised and the resources that required for running a business is acquired. As a result of these social interactions, experiences are shared, meanings are shaped and institutionalised by people of the same social group. These shared meaning then form individuals' 'reality' and thus shape the way they make sense of and enact their environment.

8.4.4. Media

Another form of social interaction that can be identified from the informants' account is mass media such as TV, radio, newspaper and magazine. In the last few years, the internet has become one of the most widely used channel of

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communication in China. From the accounts of the informants, they repeatedly draw upon what they heard, read, and seen in these mass media when justifying their beliefs.

Dabin: "You just need to get a newspaper, everyday they kept telling you 'so and so' make so much money in such a short time by running his own business. It's too common and yet real."

WL: How do you know it's real? Do you know any of them?

Dabin: Well, I don't need to know them but I have many relatives who run their own business and get rich. It's more than common in Hong Kong. Everybody knows."(Dabin, founder of Regent Trading, Hong Kong)

"If you read a newspaper or watch telly, there's always stories about these people who made so much money from running their own business. They are people's idols. People just admire them because they are rich. It's just the way it is, everybody think so."(quote recalled from conversation with Yee, Ching's sister, co-founder of Ming Kee Factory, Hong Kong)

"You don't need to run your own business to know that it's better off, you just watch TV or read a newspapers, it's too common. Almost everyday there are news like that in the newspaper or magazines"(Li, founder of Huali Fashion, Shanghai)

Apart from news, TV programmes, soap opera and movies also have their impact on the individuals:

"In those TV series, normally the characters get rich from being businessmen. It's a typical scenario in every story, you don't need to follow every episode and you know what is coming up." (Long, founder of Fada Trading, Shanghai)

"Almost in every single movie with happy ending the character must be 'rich' so that they can live happily ever after. With no money you have to struggle for

living and there's no room for happiness."(quote recalled from conversation with Wei, Salesman, Sky Property, Shanghai)

From the accounts it can be inferred that mass media play a role in shaping and reinforcing individuals' values and beliefs. However it is not to argue that these values and beliefs are instilled to individuals, instead, it is argued that the individuals enact these mass media. To aim the understanding of this issue, it is necessary to examine the mass media in the two Chinese subcultures.

In Hong Kong, vast majority of the radio, TV channels, newspapers and magazine are owned by private companies. The government does not have its own TV channel and some of the programmes it produced are broadcasted in the commercial TV channels. In addition, the government owns a few radio channels to provide recreational programmes to the public. Also, because of the Chinese's negative attitude towards politics and government, a large number of mass media tend to stay neutral to political issues. Basically it can be argued that mass media enjoys complete freedom of expression in Hong Kong. At the beginning of the 1990s, there were a few new newspapers and magazines which hold 'anti-government' view. The key characteristic of them is that they kept criticising the Hong Kong and Chinese government policies. As mentioned above, Chinese generally hold a negative and distrust attitude towards the government, therefore these kind of new publications which have emphasised 'revealing the ugly truth' of the government have gained enormous popularity. However, although being severally criticised and attacked by the media, the government did not made any attempt to influence the content of the newspapers and magazines. The non-intervention policy from the government has reinforced people's confidence in the mass media, also the popularity of these publications in turn reinforce the negative attitude people hold against the government.

Another major issue of the mass media is their focus on the story of wealth, richness and social status. Although this can be seen as an universal phenomenon, from the accounts of the informants, the impact of these mass media is extraordinary prominent. Reinforced by the confidence that mass media are *'telling the truth'*, informants repeatedly draw upon the name and stories of the

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rich and famous when justifying their stated attitude towards wealth and social status.

In Shanghai, the mass media is controlled by the Central Chinese Government. The state-owned TV station, the CCTV (China Central Television), owns all the domestic free television channels. In addition, most of the major radio, newspapers and magazines are owned by the government or semi-government organisations. Apart from providing recreational programmes, the mass media also act as the government's *throat and tongue (喉舌)*', that is, to communicate the message from the government to the general public. Although media can be seen as a main source of information to shape individual's social reality, the accounts from the informants have shown a different picture.

According to the Shanghai informants, they tend to ignore whatever the government said in the news because the government is *always lying*'. Therefore they rather seek other sources for news such as newspapers and magazine from Hong Kong and Taiwan. Also, gaining access to Western websites has been extremely popular in the last few years. According to the informants, to listen to the government channel is to hear *how they lie about the fact*'. Since the economic reform, the Chinese government allowed movies and TV programmes that produced from outside world to be broadcasted in China. The two major sources are Hong Kong and Taiwan. According to the informants, these are the major sources where they learnt *what is truth in the outside world*'. Apart from the official sources, movies from Hong Kong, Taiwan and Hollywood are smuggled to China and reproduced as VCD (video CD, older generation of DVD) and DVD for sale. Furthermore, there are unofficial cinemas showing these Western, Hong Kong, Taiwan movies. According to the informants, these are their main source of entertainment because the Chinese-made entertainment is *"dull, old-fashioned, and nobody wants it"*.

The accounts of Shanghai informants have shown that they have repeatedly drawn upon the unofficial or 'illegal' sources of mass media when justifying their values, beliefs and attitudes towards new venture creation. Never have any of them

drawn upon the official sources such as Central China Television or People's Daily. From this analysis it can be argued that mass media is enacted by informants. First, informants actively choose the kind of publications or programmes that they believe are more *'reliable'* or *'telling the truth'*, this is influenced by their attitude towards government and the media in general. The scanning of the mass media can be seen as a form of enactment. As a result of this, those who are preferred by the public gain the popularity, this then enhances their publicity and thus forms a 'reliable media' that the individuals can trust on to know their 'true environment'. Therefore it can be argued that the 'true environment' is a product of the individuals' enactment. The 'true environment' then shapes people's 'reality' in that people repeatedly draw upon these sources to justify their attitudes, beliefs and behaviour. The people's 'reality' is then shaped, shared and reinforced through different form of social interactions. In short, informants are actively interacting with the mass media when creating their reality.

8.5 Conclusion

This chapter is concerned with analysing the issues that are identified in the second level analysis that is presented in chapter 7. The key themes that are covered include monetary reward, sense of insecurity, job security, family and businesses. By presenting how individuals talk about these issues and taking into account the institutional factors of the two Chinese communities, sub-themes continue to emerge. How individuals talk about these sub-themes is then comparatively analysed. From the analysis, it can be argued that social interaction plays a key role in shaping the shared meanings of entrepreneurship in the two Chinese networks. The issue of social interaction is then further discussed in the final section of chapter 8. Studies tend to see social interaction as a bridge between individuals and their environment through which the process of institutionalisation is formed. However, from the analysis, it is possible to argue that regarding social interaction as a bridge is undermining the role that it plays in the process of institutionalisation. It is argued that social interaction is not only the bridge between individuals and their institutional context, but that social

interaction itself is also an institutionalised factor that helps to shape the way individuals make sense and enact their environment.

From the analysis different forms of social interaction are identified and examined in the final part of this chapter. This includes day-to-day communication, formal education, social gathering and mass media. From the analysis, it can be argued that the forms, frequency and contents of social interaction are themselves institutionalised. As a result of these institutionalised social interactions, the issues of wealth, face, family, cultural value, traditional views are shared, reinforced and institutionalised in the two Chinese subcultures. These institutionalised meanings then shape the way informants make sense and enact their environment in constructing the meanings of entrepreneurship and in some cases, in creating new ventures.

CHAPTER 9

CHINESE ENTREPRENEURSHIP – A SOCIAL CONSTRUCTIONIST PERSPECTIVE

This thesis develops and applies a conceptual and methodological approach to the study of new venture creation in two Chinese subcultures: Hong Kong and Shanghai. The task of this chapter is to evaluate the usefulness of the adopted conceptual and methodological framework for enhancing understanding of processes of entrepreneurship in different Chinese subcultures.

9.1 Entrepreneurial resource and environment

Chapter 5 and 6 began by introducing two networks - Ho Yuen in Hong Kong and Chai Fen in Shanghai. Both networks are made up of the core companies, the business owners, their families, customers, suppliers, friends and relatives. The analysis then presented how informants in each of the networks talked about their environments and resources that related to entrepreneurship. A first level analysis was then presented. By analysing the discourses used by informants, key issues and themes from the accounts of the informants were then drawn out. In chapter 7 these issues were then comparatively analysed. These included the issue of capital, skill, knowledge, risk and market opportunity in new business venturing.

9.1.1 Capital

By examining the formal and informal source of capital, it is realised that informants, whether they are business founders or employees, tend to prefer informal sources of capital rather than seeking formal sources of capital from the government, banks or other financial institutions. The analysis showed that this is mainly due to their shared understanding towards different sources of capital. Informants have consistently expressed their distrust of the government and the financial institutions that they did not believe any capital could be made available to them. A negative way of speaking about formal sources of capital can be identified from their accounts. In light of this, formal sources of capital in the two cities were then investigated. It is realised that whilst formal sources of capital are not available in Shanghai, in Hong Kong there are government funds available to

business founders. However, despite the possibility of gaining government funding, the Hong Kong informants did not make any attempt to seek funding from the government or the financial institutions. Therefore it can be argued that the shared understandings of formal sources of capital has shaped informants' stated attitude and thus behaviour towards government funding. In other words, the availability of formal sources of capital is socially constructed and institutionalised, which then shape the way informants make sense and enact their environment in seeking sources of finance. A consequence of the informants' enactment is that they simply ignore the possibility of formal sources of capital and tend to rely on informal sources, which then leads to another form of enactment.

The analysis showed that informal sources of capital which are common in both networks are mainly from the informants' income savings, their family savings and personal borrowings from their social relations. The major difference between the two cities is that the Hong Kong informants relied more on their own income savings while Shanghai informants relied mainly on their own savings, family savings, and personal borrowings from their social relations. It is possible to argue that the difference in capital raising between the two cities were mainly due to the different economic environments. In Hong Kong, the relatively high income resulted in large amounts of savings accumulating whilst in Shanghai, personal and family savings were insufficient because of the relatively low income. As a consequence, it is necessary for the Shanghai informants to seek personal borrowings from their social relations. Studies have emphasised the importance of social relations in providing sources of capital for business founders. However, the analysis has showed that informants have a role to play in maintaining good reputation, face, 'credit rating' and good relationships with their social relations so that the finance could be made available to them. This is done through different forms of social interaction, the different forms of social interaction themselves are influenced by the cultural and societal factors in the different subcultures. As a result of the social interaction, sources of capital can then be made available to the informants should they require it. Therefore it can be argued that sources of capital from social relations do not exist 'out there', but

are made available through the informants' continuous sensemaking, enactment and social interactions.

In sum, from the analysis, it is argued that different sources of capital is continuously enacted by informants. Through ongoing social interaction between the individuals and their institutional context, meanings are shared, shaped, reshaped and institutionalised. These institutionalised meanings then shape the way individuals make sense and enact the different sources of capital. Therefore this thesis argue that sources of capital do not exist 'out there' like strawberries in the farm shop, waiting to be picked. The availability of capital is, therefore, determined by how individuals make sense and enact their environment, both consciously or unconsciously, that makes it available or not available. The enacted environment, for example, the stated belief that formal sources of capital are not available to informants, has lead to informants' disregarding the possibility of seeking formal sources of capital and seeking informal sources of capital instead. This coheres with Weick's (2001) argument that "people are both proactive and reactive toward their surroundings. They create their own constraints, whether they do so by normalising or by enacting self-fulfilling prophecies, or by simply messing up "the scene of the crime" thereby making it impossible to see what really happened. There are all instances of enactment. In each case people put a personal imprint on what is 'out there'" (176-177). In this case, the constraint is that formal sources of capital are not available, then informants say that they have '*no choice*' but to go for different sources of capital. Because of this, informants actively save up their income, join informal saving clubs or borrow from their social relations in order to acquire the required start-up capital. These different forms of capital raising then become the '*only*' available sources of capital for the informants.

Apart from being actively involved in the process of capital raising, the analysis has shown that informants have other methods of managing the start-up capital - by choosing a type of business that requires little initial investment. The accounts of the informants showed that they tend to prefer trading business with low initial investment. This has supported the finding of other overseas Chinese businesses which argued that Chinese business tend to be low initial cost, small-scale

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business (Hodder, 1994; Orru, 1997). Apart from minimising start-up capital, reducing the risk of creating a new business is another reason that leads to the informants' preference for trading or small-scale business. From the analysis it can be argued that informants are playing an active role in making new venture creation possible, apart from accumulating the required capital through different ways, they have also been actively involved in choosing the business type that makes it feasible to create a new venture. From the analysis it is possible to argue that the choice of business type is a form of enactment. The accounts of the informants have shown that their preference on the business type is influenced by their social relations. Informants have consistently expressed that certain types of business such as trading, service or other small scale business are *'generally'* believed to be *'easier to start'*, *'higher return'* and *'lower risk'* in their social relations. As a result of ongoing social interaction, these meanings are shared among the social network forming the shared 'reality' that some businesses type are *'better'* than others. These shared meanings then shape the way informants make sense of and enact their environment to create new ventures, which, in this case, is choosing a *'better'* type of business to start with.

9.1.2 *Entrepreneurial skills and knowledge*

There are a significant amount of studies that focused on entrepreneurial learning. Whilst some studies tend to focus on whether entrepreneurial skills are learnt or natural born, other studies focus on the environment that makes entrepreneurs learnt. By adopting a social constructionist view, this thesis aimed to shed new light in understanding entrepreneurial skills and knowledge.

In chapter 5 and 6 how the informants talk about entrepreneurial skills and knowledge is presented. Based on this, a comparative analysis was presented in chapter 7. The analysis presented a different approach in understanding entrepreneurial skills and knowledge. The accounts of the informants have shown that entrepreneurial skill and knowledge is learnt, but they are learnt mainly through ongoing social interaction within the informants' family, network and employment. What is highlighted in the analysis is the active role that informants play in acquiring the required skills. Two main stages of learning can be identified. The first being that the basic knowledge of business that is learnt by

informants is mainly in their upbringing. This also highlights the importance of family, network and social relations in shaping informants early learning. It can be argued that learning in this stage is more aligned to proactivity. In the second stage of learning, that is, after the basic knowledge is learnt, informants played a more active role in acquiring the knowledge and skills. It is believed that this is mainly influenced by their shared positive meanings of new venture creation. It can be argued that the informants' upbringing, past experience and their shared understandings towards new venture creation has helped to shape their learning process.

The accounts of the informants show that many of them learnt how to run a business because they believe it is *'better'* and in so doing they *'have a future'*. So they deliberately choose different ways of learning in order to acquire the skills and knowledge to run their own business. From the accounts of the informants, different ways of learning can be identified. In Hong Kong, some informants expressed that they deliberately join the kind of business that they are interested so that they can *'get paid to learn'*. Whilst this is infeasible in Shanghai because of the economic environment, the majority of the informants started up their own business after working for other companies. Some other employees, on the other hand, are still in the 'learning' process during the first stage of fieldwork and had expressed their intention to start up their business in the future. In the final stage of research fieldwork, one and a half years later, some of the informants have left their previous employers and started up their own business, as previously expressed.

The analysis is insightful because it provides strong support that informants play an active role in entrepreneurial learning. This thesis argued that entrepreneurial learning is a process that is an outcome of the interaction between the individuals and their environments. The analysis shows that it is the shared understanding of new venture creation that shape how, why and where the learning takes place. Therefore it can be argued that entrepreneurial learning is enacted. For example, the Hong Kong informants' decision to join a particular company is one form of enactment, the Shanghai informants' learning from their employment is another form of enactment because one cannot make sense of and enact everything

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(Weick, 1995). The informants' interest in learning due to their shared meanings and understandings towards new venture creating can be seen as another form of enactment.

9.1.3 Risk

Risk has been a major factor in entrepreneurship studies. Studies argue that entrepreneurs are risk takers and that they are willing to bear the risk of a new venture because of the higher expectation of income. These studies tend to focus on measuring the risk-taking propensity of entrepreneurs (Kogan & Wallach, 1964; Koh, 1996; Das & Teng, 1997). It is argued that risk is not a universal phenomenon that can be measured by an established scale without bias. It is interpreted and constructed by individuals. Therefore it is argued that a social constructionist view could shed new light in understanding the issue of risk in entrepreneurship. In chapter 5 and 6 how informants talk about risk of new venture creation is presented. From the accounts of the informants, it can be inferred that informants, both from Hong Kong and Shanghai, did not consider running their own business as more risky than being employed. The main reason, according to the informants, is that working as an employee is not less risky because one can be fired at any time. This has highlighted the issue of lack of job security, which was then fully discussed in Section 8.2. What is emphasised in the analysis is that risk is not perceived by the informants, therefore the argument that entrepreneurs are risk takers is unconvincing.

Another major issue related to risk is the active role informants play in managing risk. One of the main ways of managing risk, as discussed earlier, is to minimise initial capital by choosing a business type that requires little start-up capital. Another way of managing risk is to maintain minimum income by having the business founder's spouse being employed in another company, or the business founders themselves working part time at the initial stage of new venture creation. In addition, the majority of the business founders have their back up plan should the worst scenario happened, that is, if the business is not successful, they have their ways of coping with the situation, normally by getting a job within other companies. As a result of the informants' risk management, the perceived level of

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risk is minimised, therefore it can be argued that risk in entrepreneurship is made sense of and enacted by the individuals.

From the analysis it can be argued that risk cannot be seen as a factor that exists 'out there' to influence informants, instead it is interpreted, perceived and enacted by informants. How informants make sense of, interpret and enact risk is in turn, influenced by their perceived risk of alternatives, their shared meaning regarding new venture creation, their decisions and actions. In short, it can be argued that these are different forms of enactments. Therefore, a social constructionist approach has the potential to yield insightful understandings of the issue, thus facilitating understanding of new venture creation in different social contexts.

9.1.4 Market Opportunity

Entrepreneurial opportunity has been a major issue for many entrepreneurship studies. For these studies, opportunities create entrepreneurship, so the availability of opportunities is positively related to the level of entrepreneurial activities. However, it is argued that entrepreneurial opportunity are enacted (Chell, 2000; Gartner, Carter, & Hills, 2001). It is important therefore, to investigate how individuals make sense and enact their environment to create entrepreneurial opportunity. The accounts presented in chapter 5 and 6 show that informants consistently believe that opportunity is important in new venture creation. Business founders expressed that the *'right opportunity'* happened to *'appear'* at the right time while for the potential business founders, they are still *'waiting for the right opportunity'* to create their own business. Although the accounts of the informants showed their stated belief of opportunity creating entrepreneurship, an analysis of the informants' account has helped to understand entrepreneurial opportunity from an alternative view. Therefore it is argued that a social constructionist approach provides a distinctive way of understanding entrepreneurial opportunity.

The analysis highlights the active role that informants play in *'realising opportunities'*. Several informants have expressed that they *'knew an opportunity'* after working for other companies. By working for other companies and getting themselves familiar with the operations, management and profitability

of the companies, informants began to *'realise the opportunity'* and decided to start up their own business, sometimes even stole their previous employers' customers. Another form of *'realising opportunity'* is through social relations, business founders from both cities expressed that it is through their social relations that they *'know'* there is opportunity. Because of this, they decided to give it a try by starting their own business. It is argued that entrepreneurial opportunity is enacted by the informants that they are actively scanning their social context in order to *'look for the right opportunity'* to create their own business. The accounts of the informants have shown that many of the business founders have tried to run businesses before but without success. Having failed several times, it did not stop them from *'looking for the right opportunity'* and try again. The stories of some informants have helped to support this argument. In the first stage fieldwork, some informants have expressed that they wanted to start up their own business in the future and were *'waiting for the right opportunity'*. In the second stage of my fieldwork, some of the informants have already *'found the right opportunity'*, some were successful (a narrow definition here to refer to businesses still existed during my second stage fieldwork) while some others have tried and failed. Also, some of the business founders were then working as employees because their own business were not very successful. One common issue that can be identified from the accounts is that the informants have consistently expressed that they *'will try again'* if there is the *'right opportunity'*. From the analysis it can be argued that their shared meanings towards *'be your own boss'* and *'run your own business'* have shaped the way they make sense of and enact their environment to create opportunity.

In summary, the analysis in chapter 7 discusses the entrepreneurial activities from a social constructionist view. By adopting an inside-looking-out approach, how informants make sense and enact their environment in the process of new ventures is analysed. It is argued that entrepreneurial factors such as capital, knowledge, skills, risk and market opportunity are enacted by informants rather than them existing 'out there' as suggested by literature. However, that is not to argue that the environment is purely the individuals' creation and imagination. Instead it is reciprocally interacted and constructed by the individuals in their social context. How the individuals make sense of and enact their environment is reciprocally

shaped by their past knowledge, experiences, meanings and understandings that are shared in the social group to which it belongs. These shared meanings and understanding are themselves shared, shaped and institutionalised through the informants' ongoing social interactions. These institutionalised meanings then become the socially constructed 'reality' that constrain and shape the way informants make sense and enact their environment, thus leading to a shared environment that is constructed by informants in the different social network. The environment therefore can be seen as an output, input and a social product.

It is argued that the conceptual and methodological framework developed in this thesis has made a distinctive contribution in understanding entrepreneurial environment. An analytical tool to understand the enactive role individuals, entrepreneurial factors and institutional factors play in the process of new venture creation has been constructed. By focusing on the discourse of the informants, how the individuals construct the meanings of entrepreneurial factors, how these meanings then shape the 'reality' of entrepreneurship is presented. The analysis highlights the importance of institutionalised meanings of entrepreneurship in shaping the way individuals make sense of and enact their environment and give rise to patterns of new venture creation. The analysis then moves on to discuss the institutionalised meanings of entrepreneurship in the two Chinese subcultures.

9.2 Institutionalised meanings of entrepreneurship

The analysis presented in chapter 5, 6 and 7 has helped to identify a special way of making sense and enacting environments in the two different Chinese subcultures. The identified meanings were then comparatively analysed in chapter 7 and 8. This has not only helped to conceptualise entrepreneurial environments in the two Chinese subcultures, it has also highlighted the importance of institutionalised meanings of entrepreneurship in shaping the entrepreneurial environment. In order to understand the process of entrepreneurship, it is necessary to investigate the institutionalised meanings of entrepreneurship in the two different Chinese subcultures.

As discussed earlier, the meanings of entrepreneurship are inter-subjectively shared, reshaped, reinforced and institutionalised through social group members' ongoing social interaction. These institutionalised meanings then become the shared 'reality' of entrepreneurship in different social settings. Again it must be emphasised that this 'reality' is socially constructed. This socially constructed reality then shapes the way individuals make sense and enact their environment, thus lead to repeated, collective action, this in turn reinforce the 'reality'. This can be seen as a circular process with no beginning and end. Therefore to understand entrepreneurship, it is necessary to understand the socially constructed reality of entrepreneurship. In order to understand the socially constructed reality of entrepreneurship, it is essential to investigate the institutionalised meanings of entrepreneurship in different Chinese subcultures. In addition, it is necessary to understand what gives rise to these institutionalised meanings. From the analysis, several shared meanings and understandings about new venture creations can be identified. As illustrated in Figure 3.4, individuals are embedded in different levels of institutional environments, therefore it is necessary to drawn upon institutional factors including political, economic, cultural and societal dimensions when attempting to understand the institutionalised meanings of entrepreneurship. The institutionalised meanings that are identified in the analysis are comparatively analysed in chapter 7 and 8. From the analysis, it can be inferred that entrepreneurship is related to positive meanings such as higher monetary reward, better security, higher social status and '*bigger face*'. Another major issue is that when talking about this, informants have repeatedly used '*of course*', '*definitely*', '*no doubt about it*', '*always the case*', '*everybody knows that*' to express their values and beliefs. It can be argued therefore, that these shared meanings are institutionalised and therefore taken for granted by the informants.

As a result of the analysis in chapter 7, themes emerged forming a net of themes and sub-themes that constitute the institutionalised meanings of entrepreneurship. Each of the themes are summarised below.

9.2.1 *Monetary Reward*

From the accounts of the informants from both Hong Kong and Shanghai, it can be inferred that there are shared meanings of entrepreneurship in the two different

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Chinese subcultures. Entrepreneurship is positively related to higher monetary reward. A further discussion with the informants regarding this issue has shown that social interaction plays a major role in shaping this positive meaning of entrepreneurship. Informants repeatedly drawn upon their own and their social relations' experience in justifying the *'fact'* that entrepreneurship is equivalent to *'higher monetary reward'*. This has reinforced the importance of social interaction in shaping individuals' values, beliefs and thus their 'reality'. From the analysis it can also be argued that higher monetary reward acts as a motive of new venture creation because of the informants' stated dissatisfaction of living standard, sense of insecurity, lack of job security, stated attitude towards being employed, family, social status and 'face'.

The informants repeatedly emphasised the main reason of their desire to make more money in order to improve their living standard. By comparing what the informants talk about their living standard and the average living standards in the two cities. It is found that in Shanghai, the living standard, especially the living condition for the people is rather poor, the low income and high property price make it very difficult for the people to improve their living conditions. Therefore their desire to improve living standard is understandable. However, by looking at this issue in Hong Kong a different story is revealed, Hong Kong is a well-developed economy, the average income and living standard of Hong Kong is arguably comparable to other well-developed countries. In addition, some informants who complained about their living standard can be seen a group of better off people in terms of their income and property. Despite the fact that their income and living condition is better than the average Hong Kong people, informants still complained that their living place is *'horrible'*, *'cheap'* and *'embarrassing'*, compared with their friends and relatives. This also shown in the account of the Shanghai informants. Some better-off informants have repeatedly complained about their living standard because they are not *'as good as others'*. From the analysis, it can be argued that ideas of living standard are socially constructed. It is through ongoing social interaction that informants continuously compare their living standard with their social relation that the meaning of 'good living standard' is shaped and shared among the social group. Thus formed their

shared sense of standard of living meant that informants found it necessary to comply with the standard in order not to 'lose face' in their social group.

9.2.2 Sense of insecurity

The analysis in chapter 5 to 7 has helped to highlight a sense of insecurity among the informants from Hong Kong and Shanghai. Informants have repeatedly expressed that they have *'no one to turn to'* that they need more money to have a more *'secure life'*. To understand this issue, an attempt is made by analysing the institutional context of the two cities. The social welfare is first examined. In addition to the official report from the government, how informants talk about their social welfare is presented. In both cities, the official reports from the government emphasised comprehensive social welfare provided to the people. However, a very different picture is revealed from the informants' point of view. In Shanghai, informants pointed out that there is a lack of social security system that people have to take care of almost every aspects of their daily life, including accommodation, health, education and retirement fund. In justifying their argument, informants repeatedly draw upon their own and their social relations' experience to support their argument against the poor social welfare. In Hong Kong, on the other hand, informants do not express dissatisfaction towards public health and education provided by the government. However, from their account they tend to ignore the social security offered by the government in that they believed that it is not an option. From the analysis, it can be argued that the Hong Kong informants' stated attitude towards social security is influenced by their perception towards the government and the negative shared meanings of claiming social benefit.

An analysis is then followed in order to examine the negative attitude towards the government. Distrust towards the government can be identified from the discourse that is repeatedly used by both Hong Kong and Shanghai. The analysis in chapter 8 has shown that this is a result of the historical reasons that the government are remembered to be rapacious and *'not to be trusted'*. As a consequence people tend to rely on themselves to accumulate wealth for more secured life. This has resulted in their desire to own *'lands and fields'* in the old days and owning properties in modern days. Their desire to own property, it can

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be argued, has lead to the very high demand for properties in both cities. As a result, owning one's own property as one the criteria of having a *'proper life'* is more difficult to achieve, especially with the fixed income of being employed and high property prices. The possibility therefore, of making more money by running a business is seen as the *'only way'* to have a *'proper life'*. From the analysis it can be argued that this is a consequence of different forms of enactments.

Another reason that lead to the stated negative attitude towards claiming social benefit is influenced by the traditional Chinese work ethic, which has shaped a shared meaning of incapable, lazy, irresponsible and greediness towards those who are claiming social benefits. In addition, the societal factors play a key role in shaping the informants' stated attitude towards social benefit, informants have repeatedly drawn upon their social relations when talking about claiming social benefits. From the account it can be inferred that claiming social benefit is related to *'shame'*, *'inferior'*, *'bad'* and *'no face'*. As a consequence, this negative meanings of social benefit has developed into a constraint to the informants. This socially constructed constraint then shapes the way informants make sense and enact their ideas of social benefits. As a consequence, a sense of insecurity is developed by the informants because claiming social benefit is *'not an option'*, therefore informants believe that they have to rely on themselves because *'there's no one to turn to'*. Because of this, making more money is seen as a way to have a *'proper and secured life'*.

9.2.3 *Lack of job security*
From the analysis presented in chapter 5-7, a lack of job security can be identified. An attempt is made to analyse the legal protection for the employees in this aspect. In Shanghai there is little legal protection for the employees, whilst in Hong Kong, employees' rights are well protected. However, despite the legal protection provided by the government in Hong Kong, a lack of job security can still be identified from the informants' accounts. The analysis shows that distrust of the government; the belief of the business owners' social status and absolute power, which are mainly influenced by the cultural, historical and societal reasons; and the lack of trust towards the employers, have led to a lack of job security. The employers, on the other hand, have shown a distrust towards their

employees because of the cultural and societal reasons. The lack of trust towards each other are shared and reciprocally reinforced by their stated attitude and behaviour towards each other. As a consequence, it results in a lack of job security for the employees that makes them believe that running their own business is *'better'* because one has *'better control of life'*. Whilst for the employers, this has resulted in a lack of trust from the employers because *'outsiders are not trustworthy'* because *'they will go out and start up their own business eventually'*. From the analysis it can be argued that the meanings, understandings and attitudes and behaviours between the employees and the employers are shared and institutionalised thus become the 'reality' that then shapes the way they make sense of and enact their environment.

9.2.4 Family and family business

From the analysis, it can be argued that the notion of family plays a key role in shaping informants' values, beliefs, attitudes and behaviours in almost all aspects. In chapter 8 the notion of family and family business is discussed. By adopting an 'inside-looking-out' approach, the way in which informants in Hong Kong and Shanghai talk about family and family business are presented and discussed. The analysis argues that seeing family as a factor that exist 'out there' is inappropriate for understanding Chinese family business. Neither is the view that family and business are two systems, sometimes conflicting with each other, appropriate to describe and understand Chinese family business. The analysis has shown different family values between the Hong Kong and Shanghai informants. Hong Kong informants have shown a strong sense of responsibility towards their parents, elder relatives and their family name whilst this value is not salient in the Shanghai informants' account. Also their notion of family is different. For Hong Kong informants their core family members include their parents, unmarried siblings, spouse and children. Whilst for the Shanghai informants, only their spouse and children are included in the core family. It can be argued that Hong Kong informants have much stronger traditional Chinese family values than the Shanghai informants. From the analysis, it is argued that the difference is due to the historical and political environment of the two cities.

Despite their difference in the notion of family, the notion of family business is similar in the two cities. From the analysis in chapter 5-8, the accounts presented discussed how informants including business founders, their families, employees and kin employees talk about family business. A consistent way of talking about family and family business by the informants can be identified. A business is seen as an empire that belongs to the owner's family. As a result of this, the owners' families and network are trusted and privileged because they are 'royal family'. The non-kin employees, on the other hand, are 'outsiders' and should not therefore be 'trusted'. The analysis has showed that the shared meanings are a consequence of the historical, cultural, political and economic factors in the different Chinese subcultures. It is further reinforced through ongoing social interactions. The meanings are then understood, shaped, shared and institutionalised, forming a recognised 'rule' for family business. As the rules are understood by the group members, they behave the way they are 'expected'. Their collective action then further reinforces the shared meanings and this leads to the institutionalisation of family business and dominant of family business in Chinese communities.

9.2.5 Social status and face

The issues of social status and face have shaped the meanings of entrepreneurship both directly and indirectly. In a Chinese context, '*laoban*' (boss/owner, see Appendix I) is like an emperor in his/her empire, that is, the business. Therefore the term '*laoban*' carries a positive meanings of higher social status and thus one has '*bigger face*'(see Table 8.1). On the other hand, monetary success is attached to higher social status, and monetary success is itself attached to entrepreneurship, so entrepreneurship is positively related to social status and '*bigger face*'.

In summary, the analysis presented in chapter 7 and 8 helped to identify the institutionalised meanings of entrepreneurship in the two subcultures. From the analysis, it can be argued that entrepreneurship is related to positive meanings such as higher monetary reward, better security, higher social status and 'bigger face'. The analysis shows that these meanings are reciprocally influenced by political, cultural, economic and societal factors to different extent. It is through ongoing social interaction that these meanings are shared, shaped, reinforced and

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institutionalised forming 'reality' of entrepreneurship. This 'reality' then shapes the way informants make sense of and enact their environment to create entrepreneurial environments, and in some cases to create new ventures.

It is argued that the conceptual framework and methodological approach adopted in this thesis provides a distinctive way for understanding the institutional context, entrepreneurship and entrepreneurial issues. Studies tend to view institutional context as a set of static elements that are instilled in individuals, influencing their values, beliefs and behaviours. The analysis show that the institutional factors are both cause and effect in the process of institutionalisation. The distinctive feature of the conceptual framework is that it has provided a tool in understanding the dynamic process of institutionalisation rather than seeing each of the factors as static elements that exist 'out there' to influence individuals. Individuals, on the other hand, are social products that are actively creating and enacting their environment.

It is argued that the institutionalised meanings of entrepreneurship and the enacted environment are both subjects and objects that they are reciprocally shaped, reshaped or reinforced through ongoing social interactions. The analysis has showed that Hong Kong and Shanghai informants have showed similarities and difference in terms of their enacted environment and shared meanings of entrepreneurship. From the analysis it is possible to argue that the differences are mainly due to the different political and economic environment in the two cities. The similarities, on the other hand, are believed to be mainly due to cultural and societal factors. Despite the differences, it is possible to argue that the two Chinese subcultures are sharing certain common cultural and societal values. Having said that, it is inappropriate to regard people from the two subcultures as one homogeneous group

9.3 Social interaction and institutionalisation of entrepreneurship

The analysis from chapter 5-8 highlighted the importance of social interaction in the process of institutionalisation. It is through social interaction that the values, beliefs, attitudes and behaviours are shared, shaped, reshaped and institutionalised. It is through social interaction that individuals interact with their

institutional context. From the analysis it is possible to argue that social interaction is an essential part of the process. Studies tend to see social interaction as a bridge between individuals and their environment through which the process of institutionalisation is formed. However, from the analysis, it is possible to argue that by regarding social interaction as a bridge is undermining the role that it plays in the process of institutionalisation. It is argued that social interaction is not only the bridge between individuals and their institutional context, social interaction itself is also an institutionalised factor that helps to shape the way individuals make sense of and enact their environment.

Therefore it is argued that an alternative view of social interaction is required. From the analysis different forms of social interactions are identified and examined in chapter 8. This includes day-to-day communication, formal education, social gathering and mass media.

9.3.1 Day-to-day communication

From the analysis it is argued that family forms the essential part of individuals' early learning. It is possible to argue that family teaching as a form of early education is institutionalised in a Chinese context. It is influenced by traditional Chinese culture that parents or elder family members are expected to teach the younger family members the social rules, values and belief. Failure to do so will face intensive social pressure that the whole family, including past, present and future generation would 'lose face'. As a consequence of this, rules, values and beliefs were instilled to individuals in their early life through day-to-day communication with their family. This has also helped to develop the self-identity of the individuals, their dependence and trust on their family members. This early self-identity then forms the foundation that shape the way individuals make sense of and enact their environment through their upbringing.

The influence of family not only plays a key role in early learning but also in every stage of life. Formal teaching in schools is seen as a continuation of family teaching, when the students go to schools at an older age, parents do not withdraw their role of teaching. Instead, they are expected to be supplementary to the formal teaching. Apart from playing the role of teaching, daily interactions with

family members also help to reinforce the values that individuals learnt from their early age and at schools. Also through this daily interaction, values, attitudes and expectations are shared and reinforced among family members that form a social pressure for the individuals to comply to the 'rules'. Another force that helps to reinforce these rules is the fact that the majority of informants live with their families, which itself is an institutionalised social phenomenon. As a result, this greatly increases the frequency and 'efficiency' of daily interactions in shaping individuals' 'reality'.

In chapter 8 the notion of 'face' is discussed. It is argued that 'face' can be seen as a set of socially accepted 'rules' that guide individual behaviours. Failure to comply to the rules could lead to intensive social pressure on the informants and their families. It is essential, therefore, for the parents to instill the notion of 'face' in their children's early years.

Apart from interaction with family members, there are other forms of social interaction in the informants' daily life that has influenced the individuals. These include interaction with friends, relatives, colleagues or even people they do not know such as hawkers, waiters, salesperson etc. The informants repeatedly draw upon their interaction with these people and how they thought about what these people thought of them. From the analysis it can be argued that interaction with these people plays a role in shaping informants' self identity and reality, thus shaping the way they make sense of and enact their environment.

9.3.2 Education

The analysis presented earlier highlights the importance of formal education in shaping individuals' values, beliefs, attitudes and thus the way they make sense of their environment. In chapter 8 the issue of education is examined from a social constructionist view. From the analysis, it is argued that rules and values are not instilled in informants, as is generally argued in literature. The analysis shows how informants make sense of the rules and values that were taught in schools, based on their past knowledge and experiences. This is especially salient in the case of Shanghai informants. The accounts of the Shanghai informants show how they make sense of the political messages that were taught in school. The analysis

shows that when there is conflict between what they were taught in schools and at home, it is what they were taught at home that prevails. This is a consequence of their dependence and trust on their family that was established in their early years. This showed that informants actively make sense of and enact what they have been taught in schools. The accounts also show how the values and beliefs that were established in the early years can be diluted or even destroyed. This is particularly salient in Cultural Revolution that the traditional values were attacked and destroyed. Students who failed to follow the instructions of the political leaders would be condemned, criticised or punished. The analysis has showed that the experience of themselves and their social relations has shaped students' 'reality' and 'truth' during the Cultural Revolution. From the analysis it can be argued that self-identity, values, beliefs are continuously shaped, reshaped and shared forming a dynamic process. Education therefore, can be seen as both cause and effect, rather than a tool of instilling values and beliefs.

9.3.3 Social Gathering

The analysis in chapter 5-8 highlights the importance of social gatherings in sharing and shaping informants' 'reality'. Informants repeatedly draw upon their experience in the social gathering when justifying their values, beliefs and attitudes. In chapter 8 the issue of social gathering is examined. From the analysis, it is argued that social gathering forms an essential part of social interaction in different ways. First, from the accounts of the informants it can be inferred that forms of social gathering are institutionalised in both Chinese subcultures. Traditional Chinese social gatherings such as Chinese New Year, weddings and birthday parties are the 'official' social gatherings that must be attended by the informants. Failure to do so is considered 'not giving face' (see table 8.1), 'no family teaching' (see *jiajiao* in Appendix I) and so one and his/her parents 'lose face'. As a result this has formed a social rule that shapes and constrains informants' behaviour. This socially constructed constraint then shapes the way they make sense of the social gathering, for the informants, there is 'no way out' and one 'can't escape' but to attend the 'official' social gatherings.

The analysis also showed that social gatherings as an institution provides an arena for different forms of social interactions. It provides an occasion to 'give face',

'make someone loss face' and *'gain face'*(see table 8.1) through their behaviour in the social gathering. The content of the social gathering, which is itself culturally influenced, also provides an arena for competition of wealth and thus 'face' between the families, siblings, friends and relatives. Also, it provides an opportunity for the social group to communicate and exchange information such as opportunities for informal seminars and training to take place. In addition, social gatherings also act as a tool governing and constraining informants' moral rules, family values and sense of responsibility.

9.3.4 Media

From the analysis, it can be inferred that mass media play a role in shaping individuals' meanings, values and beliefs. In chapter 8 the issue is examined in order to understand its impact on the informants. From the analysis, it is argued that mass media is continuously enacted by informants. This is particularly salient from the accounts of the Shanghai informants. The accounts of the informants have shown that they actively choose the kind of programmes that *'hold more true'* and are *'more reliable'* and ignore the government official programmes that they regard as *'lying all the time'*, which is influenced by their distrust towards the government. It can be argued that values are not instilled but enacted by informants. From the analysis it can be argued that mass media plays a role in shaping informants' 'reality' by providing channels for traditional cultural values, rules and customs to be shared, shaped, reinforced and institutionalised. However, it must be emphasised that these meanings are inter-subjectively shared but not one-way influenced.

In summary, in chapter 8 the different forms of social interaction are analysed. From the analysis, it can be argued that different forms of social interaction play an essential role in shaping the cause, effect and the ongoing process of institutionalisation. Therefore a social constructionist view of social interaction enables a distinctive contribution in understanding the dynamic process of social interaction, institutionalisation and entrepreneurship. By adopting an 'inside-looking-out' approach in understanding social interaction, it has shed new light for understanding the environment, shared meanings, actions and their interactive relationship with the individuals.

9.4 Social construction of entrepreneurship – a Chinese perspective

In chapter 3 a conceptual framework from a social constructionist view was developed to aid the understanding of new venture creation, with a focus on two Chinese subcultures, Hong Kong and Shanghai. In chapter 4, a methodological framework that is coherent with the social constructionist view is proposed. It is believed that an ethnographic style discourse analysis can facilitate understandings of entrepreneurship in the two different Chinese subculture. Emphasis is given to investigating how informants from the two different Chinese subcultures talk about their environment in the process of new venture creation. From the analysis it can be argued that the 'entrepreneurial environment' is enacted. It is through ongoing sensemaking and enactment that entrepreneurial factors such as capital, human resources, market opportunity and risk are organised and managed. However, it is not to argue that the enacted environment is purely the informants' perception, interpretation and imagination. It is argued that informants are social products and their sensemaking and enactment is shaped by the institutionalised meanings that are shared in the two different subcultures.

To understand new venture creation, it is necessary therefore to understand the institutionalised meanings of new venture creation in different Chinese subcultures. Several issues were identified as a result of the first level analysis. This including monetary reward, sense of insecurity, lack of job security, family and social interaction. A second level analysis helped to understand that these issues are interrelated, interwoven and are reciprocally influenced by the institutional context in each Chinese subculture. The institutional factors, on the other hand, are interrelated and are reinforced and institutionalised through ongoing social interactions. These institutionalised meanings of institutional factors then shape the way informants make sense of their institutional context and thus the institutionalised meanings of new venture creation.

The analysis also highlights the important role of social interaction in the Chinese context. It is argued that the different forms of social interaction are institutionalised, ensuring the continuous sharing, shaping and institutionalising of shared meanings. While day to day family teaching shapes the early identity of the informants that forms their foundation for future sensemaking and enactment,

their daily interaction also helps to reinforce the informants' values, beliefs and thus their 'reality'. In addition, formal education, social gatherings and mass media as different forms of social interaction also play a crucial role in shaping the informants' 'reality'. From the analysis, it can be argued that some forms of social gathering are institutionalised and play a key role in shaping individual's way of making sense and enacting their environment. In addition to the forms of social gathering, the contents of social gatherings are institutionalised and that the notion of wealth, face, social status are the major issues exchanged and shared during the social gathering. As a result of these institutionalised forms of social interactions, issues of wealth, face, family, cultural values, traditional views are shared, reinforced and institutionalised. These institutionalised meanings then shape the way informants make sense and enact their environment in the process of new venture creation.

In conclusion, this thesis argues that the process of new venture creation is a consequence of different levels of sensemaking and enactments, which themselves are results of the institutionalised meanings of environmental factors. This then leads to repeated actions that form recognised patterns of new venture creation in the two Chinese subcultures. The shared meanings and repeated actions thus lead to the institutionalisation of new venture creation in Chinese society.

From the analysis it can be argued that the process of new venture creation is comprised of a vast net of elements, each of them can be seen as cause, effect and process in their own right. Each of them also has a role to play in the process of new venture creation. There is no simple way of identifying the 'key element' and ignoring the others as all the elements are interwoven and interrelated. From the analysis of this thesis, it is argued that a social constructionist view of new venture creation provides a distinctive analytical framework for understanding how and why new venture are created in Chinese subcultures. In addition, the conceptual and methodological framework adopted in this thesis has provided an important contribution to the understanding of different levels of institutional factors. It is argued therefore, that this thesis makes an important contribution to knowledge and understanding of new venture creation in general, particularly in a Chinese context.

CHAPTER 10
REFLECTIONS – LOOKING BACK AND LOOKING FORWARD

This section is concerned with commenting on the main strengths and weaknesses of the research undertaken in this thesis on new venture creation in two Chinese subcultures. The first set of reflections examine the main conceptual themes and the ways in which they advance understanding of entrepreneurship. The second part reflects upon methodological issues. Several key claims on both the contribution and limitations of this thesis are made. The discussion concludes with some suggestions for further research.

10.1 Contribution to knowledge

Building bridges across disciplines and perspectives on entrepreneurship
In chapter 2, reference is made to how entrepreneurship has become a topic that is widely researched by scholars from different disciplines but has still failed to form a recognised field due to the diversity in definition, domain, focus, aims and objectives (Hisrich & Peters, 1989; Solymossy & Hisrich, 2000). One of the major criticisms is that there is a lack of recognition of each other's contribution to the study of entrepreneurship due to a reluctance to relate work to studies from different disciplines (Bull & Willard, 1993). One of the main contributions of the thesis is to draw from different approaches in order to build connections between the different perspectives on entrepreneurship and to extend this into a more advanced conceptual framework. The conceptual framework then developed has the potential to advance understanding of different entrepreneurship studies, their connections and how they can be related to the field of entrepreneurship as a whole.

In search of entrepreneurial factors and process view of entrepreneurship
In chapter 2, reference is made to how studies tend to look for the 'right factors' that give rise to entrepreneurship (Bruno & Tyebjee, 1982; Lowell, 1996; Lee & Tsang, 2001; Randoy & Goel, 2003). One of the major contributions of this thesis is that the developed conceptual framework helps one to analyse the 'entrepreneurial factors' and how these factors influence entrepreneurship. By

adopting a social constructionist approach, this thesis has argued that individuals continuously make sense of and enact their environment to create new ventures. Therefore, it can be argued that the 'entrepreneurial factors', such as capital, market opportunity, risk, human resources, family and network, are social products that are made sense of and enacted by individuals in ongoing social interaction. There are not entities existing 'out there' that can be obtained and studied separately, out of their social context. This thesis challenges the ontological and epistemological assumptions of these studies and argues that the attempt to search for 'entrepreneurial factors' is unhelpful in advancing the understanding of entrepreneurship. This thesis argues that only by developing a conceptual framework to understand the process of entrepreneurship, can studies from different disciplines and perspectives be combined to enhance understanding of entrepreneurship in different institutional contexts.

A major contribution of this thesis is its focus on the process of entrepreneurship, rather than specific factors or elements. The main outcome from this thesis is that entrepreneurship emerges from/through individuals' ongoing sensemaking and enactment. Through ongoing social interaction, meanings related to entrepreneurship are shaped, shared and institutionalised through different forms of social interactions, which themselves are institutionalised. The institutionalised meanings of entrepreneurship then shape the way individuals make sense and enact their environment to create new ventures. This thesis argues that it is the institutionalised meanings related to entrepreneurship that give rise to different levels of entrepreneurial activities in different ethnic groups / communities / cultures /subcultures. The institutionalised meanings, in turn, are reciprocally shaped and reshaped by the individuals in relation to their political, economic, cultural and societal context. These factors are themselves interrelated and socially constructed by members of different social groups. Therefore, to understand entrepreneurship, it is necessary to take into account the complex web of social contexts in different communities.

Understanding Chinese Entrepreneurship
As discussed earlier, institutionalised meanings of entrepreneurship are the key issues that give rise to the different levels of entrepreneurial activities in different

social contexts. In the two Chinese networks that were studied, entrepreneurship is related to positive meanings such as *'rich'*, *'respected'*, *'capable'*, *'having face'*, *'more control of your life'*, *'higher social status'*, *'more secured life'*, while being an employee is related to negative meanings of *'being fired'*, *'making money for others'*, *'ending up with nothing'*, *'working until you drop'*. The positive meanings on the one hand, and the negative meanings on the other, have led to a shared and institutionalised set of meanings that, *'running your own business is definitely better'*. The institutionalised meanings of entrepreneurship then shape the way individuals make sense and enact their environment to create new ventures. This then leads to repeated, collective action in the social group, thus giving rise to a distinguishable 'outward radiation' pattern (Tam, 1990) of new venture creation in different Chinese communities. A major argument of this thesis is that, despite the difference in institutional context, a common 'Chinese culture' is shared among the two Chinese subcultures, mainly due to the institutionalised forms, frequency and content of social interactions among group members in different Chinese subcultures. The different political and economic environment, however, has resulted in differences in sources of capital, human resources, ways of acquiring knowledge and skills, family and network etc. Despite the differences, there is still a distinguishable pattern of new venture creation in different Chinese communities because of their shared cultural and societal values that are reinforced by shared, institutionalised forms, frequency and content of social interactions.

Understanding Chinese Family Businesses

It is pointed out in Chapter 2 that family business is the central theme in Chinese business literature. The importance of family business is so fundamental that a significant number of studies do not make the effort to distinguish between family business and Chinese business. In most of the studies they have implied that family business is Chinese business or use 'family business' and 'Chinese business' interchangeably (eg. Tam, 1990; Brown, 1995; Chung, 2001). One major limitation of these studies is they tend to attribute the dominance of Chinese family business to Chinese culture or Chinese philosophy but fail to go further in explaining their findings. Therefore, this has limited their contribution in understanding Chinese family business in different Chinese contexts. Other

mainstream family business literature, on the other hand, tends to view family and business as two separate systems, with conflicting interest and objectives (eg. Westhead, Howorth, & Cowling, 2002; Olson *et al.*, 2003). This thesis argues that frameworks for analysing the dual system - ownership and structure of family business - have only limited value for understanding how and why Chinese family businesses are created, maintained and 'reproduced' (Heller, 1991; Tu, 1991; Biers, 1995; Brown, 1995; Haley, Tan, & Haley, 1998; Poutziouris, Wang, & Chan, 2002) as they fail to provide satisfactory explanation for this recognised social phenomenon.

A claim being made is that the social constructionist view of entrepreneurship has the potential to facilitate the study and understanding of family business. By analysing the spoken words of members of two Chinese networks, it is suggested that shared meanings of family, business and family business can be identified in the two Chinese networks. A shared meaning is that the business belongs to the business owners and his/her family. Therefore, the owners' family, whether they are involved in running the business or not, have the absolute right to use the resources of the business and are legitimate successors of the business. The business belongs to the owner, the owner and his/her family being inseparable, and therefore business and family are inseparable. As such, a main argument of this thesis is that ALL Chinese businesses are family businesses, even for those that do not have family members involved in their management or operation. Family continues to be a major issue in Chinese businesses, shaping the behaviour of members of the organisations and social groups. Through ongoing social interaction, the meanings of family, business and family business are shared, shaped and institutionalised. The institutionalised meanings then shape people's behaviour in the organisations - the owners and their families are working for *'their own businesses'*. The non-kinship employees, on the other hand, behave as *'outsiders'* and *'waiting for the right opportunity'* to create their own family business. As a consequence, the repeated, collective action not only gives rise to the 'outward radiation' pattern (Tam, 1990) of new venture creation but also the dominance of family businesses in Chinese communities.

This thesis has made a distinctive contribution to knowledge by presenting an alternative view of Chinese family business. A social constructionist view of Chinese family business has provided a useful tool in advancing understanding of Chinese business, especially Chinese family business, in different Chinese subcultures. It has also helped to understand how and why the dominance of Chinese family business is formed, repeated and 'reproduced' thus forming a recognised social phenomenon under different institutional contexts. In addition, the developed conceptual framework has potential in aiding understanding of family business across cultures. This will be covered in the next section.

Family business across culture

In chapter 3 reference is made to how the family business literature tends to focus on the characteristics of family business and aims to suggest 'solutions' to enhance the performance of this kind of organisation (Dyer & Handler, 1994; Miller, Steier, & Le Breton-Miller, 2003; Schulze, Lubatkin, & Dino, 2003a; Zahra, 2003). These studies tend to see family and business as two separate systems with conflicting interests that could affect the profitability, growth, competitive advantage and even survival of the business. Therefore, attempts need to be made to 'solve the problems'. The social constructionist framework that is developed in this thesis helps to understand family business from an alternative view. By adopting an 'inside-looking-out' approach, how individuals in the two Chinese subcultures make sense and enact family business is presented. The accounts of the Chinese informants show that family and business are interwoven and therefore cannot be separated. From the analysis, this thesis argues that the notions of family and family business are socially constructed and, therefore, carry different meanings in different social contexts. These institutionalised meanings in turn shape the way people in different social contexts make sense and enact their business environment and family business.

One major limitation of the mainstream family business literature is that it tends to adopt conceptual frameworks based on culturally biased assumptions to understand family businesses in a different social context (eg. Weidenbaum, 1996). For example the assumption is made that family and business are two separate systems representing emotional and irrational view of a business (Randoy

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& Goel, 2003). It is argued that these studies have limited explanatory ability in understanding family businesses in different social contexts. This thesis challenges the literature which argues that family businesses are irrational forms of organisation that should be 'improved' as ethnocentric and culturally biased. By focusing on the two Chinese subcultures, this thesis argues that the meaning, structure and characteristics of family business are institutionalised in Chinese societies. As such it can be argued that there is no universal form of family business as it is socially constructed under different social contexts. Therefore suggestions to 'improve' specific characteristics are likely to result in incompatibility between the organisation and its cultural, societal and economic environment, which is unlikely to result in a 'better form' of organisation. Researchers in family businesses, therefore, should take into account the institutional factors in order to understand family businesses in different social contexts. In this way, the social constructionist view developed here has the potential to enhance understanding of family business across cultures.

Family as source of finance, labour and other resources
In Chapter 3 reference is made to how entrepreneurship literature tends to view families as important sources of finance, labour, mentor, social and emotional support (Birley, 1985; Davis & Harveston, 1998; Westhead, Howorth, & Cowling, 2002; Randoy & Goel, 2003; Steier, 2003). This thesis challenges the assumption of these studies which tends to view families as resources that exist 'out there' and is then made available to individuals should they require it when creating new venture. An alternative view of the family as a resource is argued for in this thesis. It is argued that the availability of family resource is shaped by family values that are shared by individuals in different social groups. The shared family values, in turn, are a consequence of the institutional context and are inter-subjectively shared, shaped and institutionalised through ongoing interaction. Family, therefore, cannot be seen as a resource that exists 'out there'. Individuals play an active role in interacting with their family to make these resources available or not available. The way individuals interact with their family is, in turn, shaped by the socially constructed meanings of family and the institutional factors in different social contexts. This thesis challenges the contribution of the family business literature which tends to focus their studies in measuring family

resource as unhelpful in understanding family business because they have ignored the complex web of institutional elements which shape the availability of family resources. This thesis argues that a social constructionist view of family has made a significant contribution in understanding family as sources of capital, labour, information and other resources.

The ethnographic approach and multi-stage fieldwork

A distinctive contribution of this thesis is the ethnographic approach adopted for the fieldwork, supported by multi-stage fieldwork and analysis. This has not only enhanced the depth and richness of the research material. The multi-stage fieldwork has also allowed the themes identified in the previous stage to be further explored and analysed in the next stage of fieldwork. The vast majority of studies, even the studies that claim to be holding a social constructionist view tend to collect data from the field in order to identify the 'right factors'. Their analysis then fully focuses on these factors and how they influence the individuals (Bird, 1992; Bouchikhi, 1993; Mumby-Croft & Hackley, 1997). The individuals, at this stage, then 'disappear' from the analysis. This thesis argues that this is incoherent because conceptually these studies are holding social constructionist views, but their methodological framework then becomes more akin to the realist view. In their analysis, individuals become irrelevant and only respond to the factors mechanically. A distinctive contribution of this thesis is that, by adopting multi-stage fieldwork and analysis, how individuals talk about the issues that were identified in the previous stage are further investigated in the subsequent stage. Informants, therefore, are 'on the stage' throughout the analysis. By analysing how individuals talk about the emergent factors, new themes continue to emerge. This has helped to provide social constructionist accounts that have made a distinctive contribution in advancing understanding of the different institutional factors and their relation to entrepreneurship.

Network as an unit of analysis

The network as unit of analysis has been adopted by scholars in other areas (Curran *et al.*, 1993; Emirbeyer & Goodwin, 1994; Dodd & Patra, 2002), but little work is found in entrepreneurship studies. One of the major criticisms of entrepreneurship studies is that they tend to focus their study on individuals,

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normally the entrepreneurs. As a result, their social relations are largely ignored. It is argued that individuals and their behaviour are embedded in their social relations (Granovetter, 1985). Studies which fail to take into account the individuals' social relations are criticised for their over or under socialised approach. This thesis has included individuals and their social relations in the study, aiming to study their shared meanings among the network, their interrelationship and how they influence each other reciprocally. In addition, by including entrepreneurs, potential entrepreneurs and ex-entrepreneurs in the study in the one and a half year fieldwork period, a dynamic pattern of firm formation, exit and re-entry is illustrated. This has helped to generate insightful findings that support the conceptual framework that developed in this thesis.

10.2   Limitations

Searching for entrepreneurial factors – the dead end

The initial aim of the project was to look for the 'right factors' that give rise to new venture creation in Chinese societies. After spending some time interviewing the informants, the different factors that lead to new venture creations are discussed and this led to some frustration because no new insights were gained. All the 'entrepreneurial factors', such as capital, market opportunity, human resource etc., are widely researched in the literature, so this level of fieldwork was only useful for affirming known views about entrepreneurship and did not seem to be useful in enhancing understanding of entrepreneurship. At one point, this seemed to lead the researcher to a dead end - given the Chinese economic success and distinguishable pattern of new venture creation within ethnic Chinese in South East Asian Countries and yet there is a lack of conceptual framework to explain this. A new conceptual framework, therefore, is required to explain this social phenomenon. This has led me to social constructionism, social embeddedness and institutional theories. The fieldwork material, therefore, becomes useful in trying to understand how people talk about the different aspects of new venture creation. But a major limitation is the time and effort that is required to revisit this fieldwork material and to re-code them accordingly. Furthermore, the conceptual framework then refined requiring different stages of fieldwork and analysis. This has prolonged the process of research and increased the costs of the projects

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substantially. As a result, this has caused major difficulties to the researcher because of resource constraints.

Agency Theory, Entrepreneurship and Family Business

In Chapter 3 a review of relevant family business literature was presented. A discussion of agency theory was not included in this. A review of recent family business literature has helped in realising that agency theory has been increasingly popular in family business and entrepreneurship studies, thus forming a significant part of the literature (eg. Chua, Chrisman, & Steier, 2003; Randoy & Goel, 2003; Schulze, Lubatkin, & Dino, 2003a; Van den Berghe & Carchon, 2003). Therefore the omission of agency theory in the literature review has made this thesis open to the challenge that the literature review presented is 'incomplete' as a major theory is not included. An attempt is therefore made to review the relevant literature that adopts agency theory. Studies on entrepreneurship tend to focus on venture capitalists (Sapienza *et al.*, 2000; Wright *et al.*, 2001), which is out of scope of this study. The relevant literature can mainly be found in family business studies.

Agency theory examines the principal agent relationship, in which a principal delegates work to agents and agents perform tasks on the principal's behalf (Jensen & Meckling, 1976). An agency problem can arise between the agent and principal as a result of incongruent goals and potentially different risk preferences (Eisenhauer, 1995). A major argument of family business studies is that the integration of management and ownership have given rise to lower agency cost, thus enhancing the competitive advantage of family business (Fama & Jensen, 1983; Randoy & Goel, 2003). Agency theory is criticised for its oversimplification as it fails to take into account the social embeddedness of the individuals (Schulze, Lubatkin, & Dino, 2003b). Individuals are assumed to be self-interested, rational economic actors who respond to their environment mechanically. A major weakness of the theory is its 'undersocialised' approach (Granovetter, 1985) as the ongoing social interaction of individuals is ignored. Another weakness is that these studies tend to adopt a 'realist' view which assumes that all the factors such as risk, opportunity, family and resources etc are existing 'out there' and can be measured. This is inconsistent with the ontological and epistemological assumptions of the social constructionist view that is adopted

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in this thesis. This thesis argues that factors such as risk, opportunities, family and network etc are socially constructed and therefore cannot be measured objectively, from an 'outside-looking-in' approach. Therefore, this thesis challenges the contribution of agency theory in advancing understanding of family business. Had the discussion of agency theory been included in the literature review, it would have made the literature review more 'complete' but it would have little impact in shaping the conceptual framework and thus the contribution to knowledge of this thesis.

Change Theory, Institutionalisation and Entrepreneurship

The aim of this project is to develop a conceptual framework in order to advance understanding of the process of entrepreneurship. A social constructionist view of entrepreneurship is argued for in this thesis. It is argued that it is the institutionalised meanings of entrepreneurship that shapes the way people make sense and enact their environment to create new ventures. The institutionalised meanings of entrepreneurship, in turn, are reciprocally influenced by the institutionalised meanings of different institutional factors in different social contexts. It is emphasised that the process of institutionalisation is not a close system as if all the institutionalised meanings are static, exist 'out there' and 'unchangeable'. It is argued in this thesis that institutionalisation is an ongoing process, continually shaped and reshaped through individuals' ongoing sensemaking, enactment and social interaction. It is also emphasised that it is open to changes of institutional context such as economic, political, cultural and societal factors. Although the conceptual framework developed in this thesis recognised the impact of social change in the process of institutionalisation, the importance of social change processes as such was not emphasised. The focus of this thesis is mainly on the continuity, stability and orderliness of institutionalisation. As such it raises a possibility that the process of institutionalisation and entrepreneurship may be misinterpreted as a 'close system' and therefore not subject to change. This is where social change theory has significant contribution to make. Social change theory emphasises the continuous and gradual change of institutional factors and its impact on other interrelated institutional factors (Hudson, 2000; Yilmaz, 2002). A main feature of social change theory is its emphasis on the interrelation between institutional factors and

their impact in forming social structure (Stoddard & Jarvenpaa, 1995; Beer & Nohria, 2000; Motwani *et al.*, 2002). Social change is therefore seen as an ongoing, interactive and dynamic process. A review of social change theory helps the realisation that it fits comfortably with the conceptual framework developed in this thesis. Had change theory been incorporated in the discussion of conceptual framework, it would have enriched the conceptual framework considerably and would have reduced the possible misinterpretation of the conceptual framework and thus enhance the contribution to knowledge of this thesis.

Multi-stage fieldwork and analysis

One of the major advantages of ethnographic research is its capability to gain rich data from the fieldwork (Spradley, 1980; Agar, 1987). By the same token, a major limitation is that the researcher was overwhelmed by the very large amount of fieldwork data. As a result of interviews with over fifty informants in the three Chinese subcultures (Singapore is included in the first stage fieldwork), translating and transcribing the fieldwork data was a very time consuming and demanding task. This was then followed by the even more demanding task of analysing the data. As a result of the first level analysis, themes and sub-themes continued to emerge and this formed a very complex web of themes that are interrelated and interwoven. These themes then became a focus of the subsequent fieldwork. The multi-stage fieldwork has resulted in even more different themes. Some are overlapped with the previous themes while others are new. As a result of different stages of fieldwork and analysis, a vast net of themes and sub-themes was formed. It has created a major problem because of the difficulties in organising the different themes and presenting them in the thesis. Unfortunately, there is no simpler or easier way, but this did provide a major challenge to the researcher during the research process.

Translating and transcribing Chinese metaphors and idioms

The fieldwork was conducted in Mandarin Chinese in Shanghai and Chinese dialects, Cantonese and Fujianese (Southern China dialects) in Hong Kong. It was translated and transcribed at the same time by the researcher when listening to the tapes or, in many cases, trying to recall what has been said during the interviews. As a native Chinese speaker and educated in English language since secondary

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school, the basic translation was not particularly difficult. However, one of the most challenging tasks for the researcher was to translate expressions such as metaphors and idioms into English. Metaphors and idioms are culturally embedded and normally only meaningful in the specific social context (Cazal & Inns, 1998). Therefore, if these expressions were literally translated, it would not make much sense to the Anglo-American readers. Being a native Chinese speaker, the advantage is that I have a reasonably good knowledge of these Chinese expressions but, at the same time, it means that English is not my first but second language. Attempt, therefore, is made by the researcher to look for the equivalent expression in English by seeking help from native English speakers who are also English language experts. However, this has not been successful because many of the expressions are simply non-existent in the English language and it is difficult to convey the meanings in a different language. Because of this, these expressions were literally translated to English and accompanied by the meanings underlying the expression, which sometimes turned out to be long explanations that involved historical, cultural and political aspects.

Generalisation from two networks

The original plan was to study the different Chinese communities, including Hong Kong, Singapore, Taiwan and one city in China. The depth of data and length of time spent in Hong Kong and Shanghai meant that it was very difficult, in terms of time and resources, to include other Chinese subcultures in the studies. One limitation of this research is that it is only based on two research bases, Hong Kong and Shanghai, China. If time and resources had allowed, further Chinese subcultures could have been included in the study and would have yielded deeper insights in understanding Chinese entrepreneurship. In addition, if case studies from different cultures could have been included in the study, it would have enhanced the understanding of entrepreneurship to a deeper extent. The conceptual framework that has developed, however, has provided a strong foundation for the study of different cultures and subcultures in the future.

10.3. Future research

Is Chinese entrepreneurship unique?

The answer to the above question is yes and no. It is unique in the sense that the shared and institutionalised meanings of entrepreneurship in the Chinese context has led to a distinguishable set of characteristics and pattern of new venture creation. It is not unique in the sense that the process of sensemaking and enacting environment to create new ventures is also applicable to any other social context. As argued in this thesis, it is the institutionalised meanings that shape the way people make sense and enact their environment which lead to their collective actions. In other social contexts, there may not be such distinguishable patterns and characteristics of new venture creation as in Chinese communities, but it does not mean that there is no shared and institutionalised meanings of entrepreneurship. The conceptual framework that is developed in this thesis has the potential to be extended to studies in different cultures and subcultures. It is expected that further cross-cultural or cross-subcultural entrepreneurship studies could yield insightful findings and thus make further contribution to the existing knowledge of entrepreneurship in different cultural contexts.

Family business and Chinese family business

As with the topic that is discussed above, family business and Chinese family business could be seen as similar in one sense and different in another sense. Chinese family businesses are distinguishable by their characteristics because of the shared and institutionalised meanings related to family and business that shape people's collective actions. It can be argued that there is a distinguishable shared understanding of family values, family and business in the Chinese context. However, Chinese family business and other family business are not different conceptually. They are similar because it is the shared meanings, understandings and experiences that are related to family and business that shape the way people in the organisation behave. This is supported by scholars of family business in the West (eg. Fletcher, 2002). Therefore, it can be argued that conceptually there isn't a difference between Chinese family business and family business in general. It can be argued that family businesses are social products of the specific social context. Because of this, it is believed that cross-cultural studies of family

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business could yield even more promising findings in advancing the understanding of family business.

Family business and non-family business

Weick (1995) argued that sensemaking in organisations has a major impact upon the organisations' behaviour. In this sense there is no difference between family business and non-family business because all organisational members make sense and enact their environment. While the notion of family has major impact in shaping the behaviour of individuals in family business, it would be interesting to include non-family business in the study. Therefore, by extending the study to non-family business to investigate how people in the business talk about the different aspects of business and management, it is expected that new insights can be gained by comparing data that are gathered from the different forms of organisation. The findings, therefore, have the potential for advancing understanding of family business, non-family business and business management at large.

Entrepreneurship – future direction

One of the major claims of this thesis, as mentioned above, is that the conceptual framework developed here has the potential for enhancing understanding and connecting different disciplines and perspectives on entrepreneurship studies. Taking forward the social constructionist view of entrepreneurship, it is suggested that future research could enhance understanding of the following areas:

Macro environment – economic structure and state policy

In chapter 2, reference is made to how studies focused on the macro environment, such as economic structure and state policies (Wade, 1990; Eisenhauer, 1995), and how they influence the behaviour of individuals and organisations. A common assumption is that these factors are 'hard facts' because of their publicity. A distinctive approach that is adopted in this thesis is an 'inside-looking-out' approach. In addition to presenting the 'hard facts', that is, the state policy, how individuals talk about these 'hard facts' was also presented. By comparing the 'hard facts' and 'enacted facts', a dramatic difference is revealed. It is argued that macro environments are socially constructed rather than being 'hard facts' that

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exist 'out there'. For example, institutionalised meanings of the state and state policy have shaped the way people make sense and enact state policy, thus directly influencing the effectiveness and efficiency of state policies. Therefore, it is suggested that a social constructionist view of the macro environment can help to provide insightful information for relevant parties, including government and policy makers, in planning, evaluating and implementing state policies. It is also useful for researchers and decision-makers whose interests are related to or influenced by the macro environment, which could easily include everyone.

Formal and informal sources of capital

Source of capital have been a major area that government and many financial institutions have tried to work on in order to increase entrepreneurial activities in the economy (Bruno, 1986; De Clercg & Sapienza, 2001; Wright *et al.*, 2001). This thesis shows that individuals continuously make sense of and enact their environment to raise capital for new venture creation. This thesis argues that sources of capital are enacted instead of existing 'out there'. Therefore, by adopting a social constructionist approach, it is expected that future research on sources of capital in different economies could provide insightful findings that are useful to the government, financial institutions, researchers and also the potential entrepreneurs.

Individual level – entrepreneurial personality

This thesis does not deny that there is an 'entrepreneurial personality'. What is argued is that this entrepreneurial personality is the outcome of the shared meanings and understandings related to entrepreneurship that are shaped, shared and institutionalised through an ongoing social interaction process. This has supported the argument by Chell (2000), who points out that entrepreneurial personality is socially constructed. This thesis calls for an alternative view of entrepreneurial personality. It is believed that future research, especially cross-cultural research, in this area could shed new light in understanding entrepreneurial personality and the processes of entrepreneurship.

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Social/Cultural factors and social interactions

This thesis does not undermine the importance of social/cultural factors in the process of new venture creation. Instead, it is argued that social/cultural factors have inter-subjectively shaped individuals' behaviour. However, this thesis does not suggest that social/cultural factors are instilled in the individuals. It is through ongoing social interactions that these social/cultural values are shared, shaped and institutionalised. What is highlighted in the analysis is the importance of social interaction. In addition, the forms, frequency and content of social interactions have played an essential role in shaping individuals' 'reality' and their behaviour. From the analysis it is shown that the different aspects of social interaction are institutionalised in the Chinese context. It can be argued that the continuity of the societal and cultural values are maintained because of the institutionalised forms of social interactions. However, the area of social interaction is severely under-researched. Although this thesis has made an attempt to investigate the different aspects of social interaction, it is expected that further investigation could be carried out in the following areas:

- Forms – through what channels do social interactions take place; why these channels; how does this affect the individuals and their behaviour?
- Frequency – how often do these social interaction take place, and why?
- Content – what kind of information or materials are exchanged during the social interactions, and what are their implications?

It is suggested that future research in the above areas could aid the understanding of the different aspects of institutional contexts that give rise to shared, institutionalised meanings and social order. In particular, this could aid understanding of the process of entrepreneurship.

GLOSSARY

Chenbao (承包)

A state policy introduced by the Chinese government as a major part of the Economic Reform that began in 1980. Under this policy, individuals are in charge of the management and operation of a state-own enterprise. The profit that is made under the new management belongs to the person in charge. The state, however, remains the owner of the enterprise and maintains certain administration power

Chuanyi (創業)

Literally means to create business. It conveys a positive meaning of building ones' career from nothing.

Danwei (單位)

Literally means 'unit'. It is used to represent a section of a government department or official organisation that people work for. China used to be dominated by large state owned enterprises. Each of these enterprises was made up of different work units. *Danwei* used to play a crucial role in people's daily lives; it took care of their work, accommodation, medical cover, children's education, pension and even their marriage. It is common for the danwei to play the roles of match maker and peace maker in domestic rows, and even to be the divorce middleman.

Guanxi (關係)

Literally means 'relationship'. In China if one is described as 'you guanxi' (有關係 - have relationship), it conveys a meaning that this person has a special

personal connection with the state official or other important people in society. It can also be used to describe a person's social status.

Hongbao (紅包)

Literally means 'red packet'. Normally money is put in a red packet and it carries a meaning of 'lucky money'. Chinese do not give people money directly; instead they put the money in a red packet because red is considered a lucky colour. In Hong Kong, *hongbao* is given to children or single people from married people at the time of the Chinese New Year. *Hongbao* has different meanings in China. The tradition of giving *hongbao* at the time of the Chinese New Year was abandoned by the Chinese government during the Cultural Revolution. Nowadays in China, the term *hongbao* is used to convey the meaning of giving bribe money to state officials or people working for the public services.

Hukou (户口)

Literally means 'account'. In China, when a person is born his/her parents should register with the Street Committee – a local official governing body, and he/she will then be given a *hukao*. With a *hukao* the person is recognised as a legitimate resident in the area. In the past, the government distributed coupons of necessities such as rice, meat, oil etc, based on the number of *hukao* in each household. People can then use these coupons to exchange food and necessities in the market. Basically, in the past, *hukao* restricts where people can live, work and even what to eat in the past. Nowadays the coupon policy has been abandoned, but *hukao* still has its function. For example, a person with a rural *hukuo* is not allowed to work or live in other rural or urban areas.

Hui (會)

Literally means club or guild. It is an informal savings club formed by relatives, friends, neighbours or colleagues. Each member puts a certain amount of money into the club at a fixed interval, normally monthly. At the end of the *hui* period, normally six months or one year, *hui* members bid for the total savings. The one

who is willing to pay the highest interest gets all the money and pays interest to the rest of the members until the total amount he owes is paid off.

Iron Bowl (tie fan wan 鐵飯碗)

Describes a very secure job. In a Chinese context, 'bowl' refers to a rice bowl. To say someone has a rice bowl means that this person has a job so that he can eat rice (which means he can survive). As an iron bowl will not break when it is dropped on the floor, to say someone has an iron rice bowl means that he/she has a very secure job. In China it normally refers to people who work for the state. In recent years this term has carried negative meanings because working for the state is considered low paid and lacks prospects. In Hong Kong, having an iron bowl refers to people who work for the government, banks, or big organisations and carried negative meanings. In recent years this term has carried more positive meanings because of the growing unemployment rate, therefore having a secure job has become more desirable.

Jiajiao (家教)

Literally means family teaching. In Chinese communities parents are expected to instill social rules, values and beliefs in their children at an early age. Family teaching is an essential part of child rearing in a Chinese context. If one is accused of *meijiajiao* (沒家教 - no family teaching), it can be considered the worst insult one can get. In addition, it denotes a condemnation of one's parents.

Laoban (老板)

Literally means 'boss', this also conveys a meaning of business owner. In Chinese communities, as most of the businesses are small-scale the boss is also the owner. The terms boss and owner convey similar meanings and are used interchangeably.

Mianzi (Face) (面子, 臉, 面)

See section 8.4.1.2

Renqing (人情)

Literally means 'human and sentiment', some translated into 'favour'. *Renqing* is like a social currency in Chinese communities. For example, if A does B a favour, then B owes A *renqing* debt (人情债). B then must *always* remember that he owes A favour debt and must find a way to repay the debt by doing A favours. However, if B does A a favour in return, the debt is not cleared. Instead, both A and B owe each other *renqing* debt and they must always remember this. Owing each other *renqing* debt is considered a more 'healthy' state in a Chinese context.

Shangxiang (上香, 燒香)

Literally means 'light incense sticks' or 'to burn incense sticks'. It is used to describe the process of worshipping. When worshipping, people light incense sticks as a gesture to pay their respect to their gods, immortals or their ancestors.

Wulun (五倫)

Literally means 'five relations'. This refers to the philosophical basis of Confucianism that constitutes the fundamental relationship rules of Chinese culture. It specifies the order of rank, with the first names given preference: father-son, husband-wife, elder brother-younger brother; ruler-subject (or boss-subordinate, master-servant). And, as well as these clearly hierarchical distinctions, there is a more general set of rules governing expectation of trust and reliability between friends.

Xiagan (下崗)

Literally means 'off duty', it is used to describe people who are made redundant. The Chinese government emphasises that everyone has his duty to the country.

Therefore to say someone is off duty conveys a meaning that they are no longer useful, no longer making contribution to the country.

Xiahai (下海)

Literally means 'down to sea'. An expression commonly used in China, especially in the 80s. It is used to describe people who quit their job for the state to work in the private sector, normally it means to set up their own business. Similar to the English expression 'take the plunge'. In the 80s it conveyed a meaning of uncertainty, like jumping into a wavy sea, one cannot see the end of it. Nowadays it conveys positive meanings such as innovative, creative, high capability and promising future.

Xiao (孝)

Filial Piety, the traditional rules governing vertical relationships in Chinese society. A basic rule is that children exist for the sake of their parents. Therefore children must obey, respect and support their parents. Failure to do so will be considered un-filial (*buxiao* 不孝). The forms of expressing one's *xiao* have changed over the years, but the notion of *xiao* remains fairly stable.

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