How is an enterprise made in China?

Tutor  Tommy Torsne
Group 1982  Ka Ho Lo  811112-P235
           Liang Chen  830718-P209
Date  4th June 2008
Contents

I. Acknowledgement ........................................................................................................... iii
II. Abstract ......................................................................................................................... iv

1 Introduction .................................................................................................................... 1
  1.1 Research Background and Motivation ........................................................................ 1
  1.2 Research Purpose ....................................................................................................... 2
  1.3 Research Question .................................................................................................... 2
  1.4 Target Audience ....................................................................................................... 2
  1.5 Delimitation ................................................................................................................ 3
  1.6 Structure of the Research .......................................................................................... 4

2 Literature Review .......................................................................................................... 5
  2.1 Entrepreneurship ...................................................................................................... 5
    2.1.1 Entrepreneurship ................................................................................................. 5
    2.1.2 Entrepreneurial Web ........................................................................................... 6
    2.1.3 Entrepreneurial Network .................................................................................... 7
    2.1.4 Innovation ............................................................................................................ 8
  2.2 National Culture ....................................................................................................... 9
    2.2.1 Culture ................................................................................................................ 9
    2.2.2 National Culture ................................................................................................ 10
    2.2.3 Organizational Culture ....................................................................................... 12
    2.2.4 National Culture, Organizational Culture and Entrepreneurial behavior ........... 13
    2.2.5 Chinese Culture, Confucian and Guanxi ............................................................. 14
  2.3 Government Policy .................................................................................................... 16
  2.4 Conclusion of Literature Review ................................................................................ 18

3 Conceptual Framework ................................................................................................. 19

4 Methodology and Data Collection .................................................................................. 21
  4.1 Research Approach ................................................................................................. 21
    4.1.1 Search of Literature ........................................................................................... 21
    4.1.2 Qualitative Research Approach ......................................................................... 21
    4.1.3 Semi-Structured Interview Method ..................................................................... 22
  4.2 Data Collection ......................................................................................................... 22
    4.2.1 Primary Data ....................................................................................................... 22
    4.2.2 Secondary Data ................................................................................................... 23
  4.3 Choice of Cases ........................................................................................................... 23
Acknowledgement

We would like to thank our supervisor, Tommy Torsne, who kindly read this paper and advise us. We wish to acknowledge his support and guidance throughout the paper.

We are greatly thankful to Leif Linnskog for his effort in introducing us to International Business and Entrepreneurship Program and giving us enough support throughout the program.

Special thanks to the interviewees, Mr. Penny Cheung Tak Fung and Mr. Wang Yusuo, for taking their time to answer our questions and providing us with useful information.

We would also like to express thanks to our parents for their support during our stay in Sweden.

Thank you all!

Ka Ho Lo & Liang Chen
Summer 2008
Abstract

Date: 4th June 2008

Level: Master Thesis EFO705 (15 Credits)

Authors: Ka Ho Lo (811112-P235)
Liang Chen (830718-P209)

Title: How is an Enterprise Made in China?

Tutor: Tommy Torsne

Research Question: What are the factors making the enterprises in China and influencing their behavior and development?

Aim of Thesis: The thesis was initiated because there are many young people want to have his/her own business in China. The authors aim to discover the key elements of making an enterprise in China and expect the research can help those entrepreneurs to find a most suitable way to start their own venture in China.

Method: Semi-structured interview is used in the qualitative perspective to evaluate the research. The primary data is collected in a qualitative manner by interview with the entrepreneurs of the case companies. Secondary data is collected from company material and web pages.

Conclusion: In the study it was concluded that entrepreneurship, national culture and government policy are the major elements that affect the development and behavior of Chinese enterprises. And In China, unlike western world, government policy and national culture are regarded to be more important than entrepreneurship. It is a characteristic of an Asian socialism country.

Key Words: Entrepreneurship, National Culture, Government Policy, Enterprise, Confucian, Guanxi, Innovation
1.0 Introduction

1.1 Research Background and Motivation

What makes an enterprise in China? The keywords of this question are “enterprise” and “China”. The authors of this research are business students majoring in International Business and Entrepreneurship. From the courses the authors have recognized the importance of entrepreneurship, as well as the elements comprising an enterprise. The authors found interest in what factors affect the development of an enterprise, of particular interest to us, the development of enterprises in China, which is distinct from the West.

From ancient time, Europeans realized the importance of trade. Thanks to the Mediterranean Sea, cross-states trading of crops and craft products were largely enhanced by voyage over the Sea. Europeans enjoyed the advantages of trade. As a result of that, Europeans developed many remarkable trading and economic theories from centuries to centuries. From mercantilism in the 16th to 18th centuries, Adam Smith’s classical theory of “absolute advantage” in 1776, David Ricardo’s “comparative advantage” in 1817, and nowadays to entrepreneurship theory. The theories focused on economy, society science, psychology, and anthropology. The West was endlessly exploring the way to “trade a better economic life”.

Following a logical train of thought, nowadays most of the studies on enterprises are established on the base of the western cases. How about the rest of the World? Will the formula of making an enterprise be the same as the western style?

Focusing on China, it is clear that China used to be an agricultural country. The Chinese do not have “mercantilism” or “theory of comparative advantage”, but they have Confucian ideology, which is totally different from the heroism in the west. Besides this, the Chinese have chosen socialism as their economic ideology. They have a totally different political structure, constructed of one-party governance and a huge population consisting of lots of nationalities and minorities. Understanding how to make an enterprise under this particular circumstance was the fundamental motivation for the authors to undertake this research.

China, on account of the improved economy in recent decades, increasingly “manufactures” new enterprises in every industry. They are fresh and vital, but looking for a way to grow. They found that the model from the western World may not be suitable for them; however, there are not many local predecessors they can learn from. Despite China’s economic growth, unemployment is still a problem which needs to be solved.

Similar situation also appears in Sweden. New immigrants and fresh graduates have difficulties getting job opportunities. The Swedish government encourages and provides comprehensive support to people wanting to start a business. In China, despite the fact the government encourages the people start their own venture, the support to the entrepreneurs is relatively insignificant.
We believe that it will be worthwhile to undertake research on how enterprises develop in China, discovering the “DNA” of the enterprise. In addition, because both of the authors are Chinese, we believe our knowledge on China will be an asset to this research and give a better insight into the research problems.

1.2 Research Question

What are the factors making the enterprises in China and influencing their behavior and development?

1.3 Research Purpose

The research aims to discover the key elements of making an enterprise in China. To do this, we will answer the research questions by analyzing the collected information with the prevailing theories recognized in the conceptual framework. It is expected that the elements of making an enterprise in China will reveal something different from those made in western World. The elements of making an enterprise in China may involve the dominating Chinese ideology, cognition, culture, social behavior, government policy. The authors expect the research can help entrepreneurs find an effect way to start their own venture in China. Despite the broad scope of theoretical concepts adopted by this research, it is hopefully that the findings will provide a foundation for the successor to undergo a deeper and more specific research in the same research area.

1.4 Target Audience

The target of this research is not limited to the scholar and students who are interested in entrepreneurship and social science in China. It also aims at the entrepreneurs and potential participants who want to start their own business in China, facing the difficulties to find out the formula to survive and develop.
1.5 Delimitation

The focus of this study will be in a macroscopic view. The conceptual framework will be comprised of three major themes of theoretical concepts. Each of the themes contains a very broad context, and therefore only the main stream and commonly recognized theories will be adopted. This research does not exclude the possibility that there may be some under-cover themes influencing the behavior and development of enterprise in China, we expect such themes will be suggested for further research, if any.

Nevertheless, the authors believe that focusing on the issues that are commonly recognized as important to the enterprise, for example the culture issue, would help to work out a widely acceptable insight regarding the enterprise in China. It would be valuable for the target group and provide a foundation for follow-up study.

In order to gather good quality of primary information, interviews are used as a means to get information. Two cases from two industries, food trading and natural gas supplying, has been chosen for this research. The authors admit that these cases may not represent the full picture of China’s entrepreneurial environment, but we believe that the information gathered from interview will give a good insight for the research topic.

Apart from that, the authors admitted that there are several limitations which may affect the validity of the findings. Firstly of all, broad concept is adopted in this research. Entrepreneurship, culture and government policy are representing wide range of concepts. The interview questions cannot cover every aspect regarding the themes. As a result, this research may overlook the sub-concept in each of the main themes.

Secondly, only two interviewees participated in this research. Due to the constraint of time, the authors are not able to arrange more interviews. Although both of the interviewees have offered us valuable insight toward the research topic, it would be better to have more case studies in order to illustrate the overall picture. Besides, China is a large and populated country. The culture in one province may vary greatly with the others.

Thirdly, secondary data regarding government policies are not significant. Some documents or announcements are not available on the government websites. Data mainly relies on the interpretation from the interviewees which may be regarded to be objective.

Fourthly, instead of interview, it is better to undergo this kind of research via observation. By observing the daily operations and behaviors of the enterprises, the collected data would be more accurate.
1.6 Structure of the Research

The structure and flow of the research is shown as follows:

**Literature Review**
Reviewing the literature related to entrepreneurship, national culture, government policy and some other issues related to this topic.

**Conceptual Framework**
Base on the literature review, a conceptual framework is built in this chapter.

**Methodology and Data Collection**
Introduction of research methods adopted in the thesis for data collection and analysis.

**Empirical Data**
Interpretation of Data collected through interview and other secondary sources.

**Case 1 – Poseidon Co. Ltd.**

**Case 2 – XinAo Group**

**Data Analysis**
Compiling and analyzing the data collected for the two case studies.

**Conclusion**
Concluding the findings from previous chapters and giving recommendations for further studies.

*Figure 1: Research Structure and flow*
2.0 Literature Review

In this part, we have summarized different kinds of theories about entrepreneurship, national culture and government policy. The authors aim to investigate how the above-mentioned factors affect the behavior and development of the enterprises in China. Eventually, based on the literature review, we build up the conceptual framework for this research.

2.1 Entrepreneurship

Regarding entrepreneurship, we describe it from four perspectives: entrepreneurship, entrepreneurial web, entrepreneurial networks and innovation.

2.1.1 Entrepreneurship

An enterprise needs two types of people: those who came up with the ideas and those who execute the ideas; William Saito (Ericksen & Gregory, 2002) stated that an entrepreneur is both. Ericksen and Gregory (2002, p.3) introduce six key factors which are used to evaluate the success of entrepreneurs and their businesses. The six keys to success are as follows: leadership; financial performance; culture, values, and incentives; management team; originality and degree of difficulty (ibid, p.3-6).

Entrepreneurship is regarded as one of the most popular research fields in modern business. What is the definition of entrepreneurship? Are entrepreneurs made or born? Based on the above questions, we have reviewed different kinds of theories about entrepreneurship from the viewpoint of social science, psychology and anthropology, etc.

Generally, it is difficult to give a general definition to “entrepreneurship”. Entrepreneurship is the mindset and process to create and develop economic activity by combining risk-taking, creativity and innovation with sound management, within a new or an existing organization (Commission of the European Communities, 2003). Entrepreneurship covers an individual’s capacity and motivation to spot an opportunity and to pursue it for the purpose of creating new value or economic success, independently or within a group (Swedberg, 2000, p.51). It takes creativity or innovation to compete and penetrate in an existing market, to change or even to build a new market. From the viewpoint of Schumpeter, entrepreneurship can be defined as the making of a “new combination” of already existing material and forces (Swedberg, 2000, p.51). And Schumpeter’s definition of entrepreneurship placed an emphasis on innovation, such as new products, new production methods, new markets and new forms of organization, as opposed to inventions. Entrepreneurs are not necessarily a single person but can equally be an organization. The main point is the behavior.
Baumol (1990) pointed out the main shortcoming of the well-known Schumpeterian analysis is the paucity of insights on policy that emerge from it. “It will be suggests that only a minor extension of Schumpeter’s model to encompass the allocation of entrepreneurship is required to enhance its power substantially in this direction” (ibid, p.5). Schumpeter’s list of entrepreneurial activities can usefully be expanded to include such items as innovations in rent-seeking procedures (e.g. the discovery of a precisely unused legal gambit that is effective in diverting rents to those who are first exploiting it). Besides Schumpeter’s understanding about entrepreneurship, Say (in Swedberg, 2000, p.19) pointed out that entrepreneurship consists of combining the factors of production into an organization. Marshall (ibid) stated that entrepreneurship is synonymous with business management and suggested that the payment for this function can be seen as rent on ability. Kirzner (in Swedberg, 2000) stated that the entrepreneurship means alertness toward profit opportunity. Von Mises explained (ibid) that entrepreneurship is always geared to the uncertainty of future constellations of demand and supply. He believed that when the economy is stable and in a repetitive equilibrium cycle, there is no place for entrepreneurship. The Harvard Tradition: entrepreneurship is about creating organizations or conditions to facilitate the commercialization of innovations (Swedberg, 2000, p.35).

Regarding the question “entrepreneurs are made or born?” Burns (2005) stated “Entrepreneurs are both born and made”. They have certain personal character traits that they may be born with, but they are also shaped by their history and experience of life – their background – as well as the culture of the society they are brought up in. However, the problem of linking the personal character traits of any individual to the success of a business needs to be dealt with caution and can be an academic minefield. There are also a number of methodological problems associated with the attempt of measuring personality. Notwithstanding these issues, most researchers believe that, collectively, owner-manager entrepreneurs have certain typical character traits, although the mix and emphasis of these characteristics will inevitably be different for each individual.” (ibid, p.19-21) While Swedberg hold a different viewpoint, he said “Psychological studies of the entrepreneur have a fairly low status among social scientists who study entrepreneurship, and the main reason for this is that the attempt to single out one or several psychological traits as typical for the entrepreneurial personality is generally considered to have failed. That such a personality exists in the first place is also seriously doubted. To this can be added that psychologists often try to explain far too much...” (Swedberg, 2000, p.32-33) So it is very difficult to have a universal agreement about the question.

2.1.2 Entrepreneurial Web

Berglund and Johansson (2007) use a discourse analysis to build a framework of thin and thick threads of entrepreneurship found in academic literature. They identify three thick and three thin threads that permeate the literature. The thick threads are labelled as “entrepreneur as given”, “a resource perspective”, and “a network perspective” (ibid). The thin threads consist of “entrepreneur as constructed”, “other forms of entrepreneurship”, and “geographical dimensions” (ibid).
Among these thick and thin threads, the entrepreneur as given paints the picture of the entrepreneur as an independent, self-motivated individual possessing unique capabilities and a high tolerance for risk and ambiguity (Berglund & Johansson, 2007). The resource perspective describes an entrepreneur as someone with distinct capabilities, whose actions are influenced by the industry structure. Entrepreneurs in the resource perspective are highly dependent on external sources of strategy, and human and financial capital. The network perspective puts the entrepreneur in a social context, where their extraordinary networking capabilities allow them to draw upon external resources (ibid). The entrepreneur as constructed suggests that the entrepreneur is socially created through interaction with others and they may enact the roles as lead by the community. Other forms of entrepreneurship identify entrepreneurial behaviour that emerges from the community to serve a distinct need. Geographical dimensions suggest that locations and economic conditions can inspire diverse forms of entrepreneurial activity (ibid).

2.1.3 Entrepreneurial networks

From the entrepreneurial web, one of the thick threads attracted our attention, a network perspective. In the business world, social organizations make use of entrepreneurial networks to set up or improve entrepreneurial projects by using different types of resources. In other words, we can say that it is important for an entrepreneur or an enterprise to build relationships. Obtaining sufficient resources, especially human resources, is a main element for entrepreneurial achievements. Entrepreneurial networks not only help entrepreneurs to run their businesses or projects properly, but also to differentiate them from other similar projects. Therefore, combined with leadership, it is a vital kind of social networks in the business field.

Focusing on social networks, analysis pays attention to relationships between entrepreneurs and others that supply the important resources of establishing a company (Johannisson & Larson in Greve & Salaff, 2003, p.2). Although entrepreneurs have ideas, knowledge, and competence to run the business, they also need special resources to produce and distribute their goods and services (Teece in Greve & Salaff, 2003, p.2). Through their social networks, entrepreneurs get support and access to distribution channels. Entrepreneurs are associated with people and organizations that interact among themselves and these contacts can enlarge the availability of resources that sustain a new company (Hansen in Greve & Salaff, 2003, p.2).

Social networks are not fixed; they are the social context of businesses and can be activated according to different needs (Granovetter & Burt in Greve & Salaff, 2003, p.2). To achieve their enterprise goals, entrepreneurs bring both close and distant networks into their business decisions or behaviors, such as family members, friends and business partners.

Over time, entrepreneurs accumulate social networks. The purpose of entrepreneurial networks is to bring together a huge collection of resources and professionals that can make business launches successful. Consequently it can
provide an enterprise with direction, motivation, opportunities and so on. Furthermore, entrepreneurial networks may also become social involved, such as supporting governmental reforms, improving new legislation or other forces, which can achieve their organization’s goals.

2.1.4 Innovation

The modern society is developing entrepreneurship and its tool---innovation, through the growing contribution and importance of different sizes of companies in the economy. By reviewing Schumpeter’s literature, it is useful for us to know the function of innovation in modern economics as well as the role of innovator, who is regarded as the entrepreneur by Schumpeter.

Schumpeter defines innovation as the “carrying out of new combinations” (Swedberg 2000, p. 51). Schumpeter’s concept of innovation lies within the economic realm of society. We can see that the concept of innovation is viewed as an essential component of commercial entrepreneurship (Austin et al 2006). The aim of commercial entrepreneurial activities is directed towards shareholder profits (Zadek & Thake in Austin et. al., 2006). In Schumpeter’s (Swedberg, 2000) definition of innovation, innovative development can occur through five different situations: introduction of a new good; introduction of a new method of production; opening of a new market; conquest of a new source of production input; and a new organization of an industry. Schumpeter (Swedberg, 2000) points out that it is frequently that new firms that carry out the new combinations along with the old firms, rather than emerging from the old processes.

Schumpeter referred to innovation as much more than invention. Only when it is put to productive use, invention becomes an innovation (Swedberg, 2000, p. 69). It means that an invention becomes an innovation only when the invention is applied to an industrial process and a new production function results from this application (McDaniel, 2000, p.278). Similarly, not all managers or owners of business are entrepreneurs because one can run a business without trying new ways of “doing” business (ibid, p.279).

Although Schumpeter’s theory about innovation impacted a lot of followers, there are still some critics. Some think that it is too broad, and others think it is too narrow. For example, as Regis Cabral (1998, 2003) comments, among the changeable networks, innovation is a new factor brought in it and is the cost of transactions between at least two actors in the network.

The growing interest of research about innovation is focused on it as a determinant of growth in business. Researchers may use either input measures, such as R&D expenditures (Mansfield in Wong et. al., 2005, p.336) or innovation outcomes such as patents (Griliches in Wong et. al., 2005, p.336). Hence, enterprises should be well aware of the importance of innovation in achieving commercial accomplishment. However, there are very few firms that become innovators; most of the rest tend to adopt existing ideas.
Once it occurs, innovations may be spread from the innovator to other individuals or groups. Innovative companies will typically be working on new innovations that will eventually replace the old ones. This process has been called “the diffusion of innovation” and been studied extensively in the scholar field. Martin said social scientists have considered how innovations are spread via direct communication (Coleman et al., 1999), role equivalence (Burt, 1992), mesolevel networks (Hedstrom et al., 2000), and a variety of institutional pressures (Strand & Meyer in DiMaggio & Powell, 1993).

Even if innovation can increase the profits and competitiveness, enable an enterprise to grow highly, the risks and costs involved in developing innovative products or services can be too high a price to pay for some entrepreneurs. Hence, an alternative way is to imitate other successful businesses. Imitation is also an important element of entrepreneurship, which is a label, used to describe one form of managing an enterprise.

The modeled organization may be unaware of the modeling or may have no desire to be copied; it merely serves as a convenient source of practices that the borrowing organization may use. Models may be diffused unintentionally, indirectly through employee transfer or turnover, or explicitly by organizations, even innovation can be accounted for by organizational modeling (DiMaggio & Powell, 1983, p.151).

As Alchian (in DiMaggio & Powell, 1983) has commented: “Certainly there are those who consciously innovate, there are those who, in their imperfect attempts to imitate others, unconsciously innovate by unwittingly acquiring some unexpected or unsought unique attributes which under the prevailing circumstances prove partly responsible for the success. Others, in turn, will attempt to copy the uniqueness, and the innovation-imitation process continues” (DiMaggio & Powell, 1983, p.151).

2.2 National Culture
National culture is also acting an important role effecting the behavior and development of the enterprises.

2.2.1 Culture
Culture has been described as a subtle concept that is difficult to define (Ralston, 1997). As found in an etymology dictionary (Harper, 2001), the Latin root of the word means “to cultivate”, generally referring to patterns of human activity and the symbolic structure that give such activity significance. According to the website of United Nations Educational, Scientific and Cultural Organization (2002), culture is regarded as “the set of distinctive spiritual, material, intellectual and emotional features of society or a social group, and that it encompasses, in addition to art and literature, lifestyles, ways of living together, value systems, traditions and beliefs".
Despite the above mentioned general cognition, academic researchers are also keen on defining the precise meaning of “Culture”. According to Ralston (1993), culture can be viewed as beliefs and value that are widely shared in a specific society, including Religion, proximity, history, and education, at a particular point in time. Ralston has also observed that culture is treated in various ways by academics; some of them regarded it as a variable in quantitative research while some of them treat it as metaphor in the symbolic perspective, etc.

Cultural issues have been regarded as an aspect of anthropological research. However, as criticized by Don Lavoie (1991), social scientists ignored the existing of anthropology as well as the role of culture in studying entrepreneurial activities. This criticism is echoed by Swedberg (2000), who admits that compared with sociology; relatively few studies of entrepreneurship are to be found in anthropology. Little work has been done in this aspect in the past fifteen years.

2.2.2 National Culture (NC)

With regard to one of the influential scholars in cultural study - Hofstede (1991, p.5), national culture is defined as a value of a “collective programming of the mind” which differentiates people or groups from one another. However, measuring the difference in national culture has long been the question among the scholars since there was no standardized dimension for studying this. In early 1980s, Hofstede has given out a cultural framework to measure the difference of NC. He has collected responses to 32 value statements from more than 117,000 IBM employees in 40 nations between 1967 and 1969 (Hofstede, 1980). According to the findings, Hofstede has classified NC into four dimensions: Power Distance, Uncertainty avoidance, Individualism and Masculinity. In 1984, Hofstede has added one more dimension – Long term orientation, regarding to the ability of the societies to adoption innovation and making his dimensions of culture to five elements in total (Hofstede, 2003). The dimensions are described as follows:

**Power Distance (PDI)** – is “the degree of inequality among people that the society is willing to accept” (Burns, 2005, p.111). People are not equal in terms of ability. Different societies have different level of tolerance of inequality among people. Low power distance characterized by decentralized decision structures, as well as flat organization pattern. Personal experience is appreciated and subordinates are expected to be consulted by supervision. In contrast, high power distance is characterized by centralized decision structure and clear hierarchy organization patterns (Ringov & Zollo 2007). Formal rules are set and subordinates are supported by a hierarchy structure. As many other East Asia countries in Hofstede’s study, China is regarded as nation with high power distance (Hosstede, 2003).

**Individualism (IDV)** - describes the relationship between the individual and the collectivity. It is an important way of differentiating among NCs (Triandis, 1989). According to Hofstede (1991), high individualism means the ties between individuals are loose. Individuals would tend to concern their own. The individuals value their
freedom and independence. In contrast, people with low individualism or high collectivism are characterized with strong integration and cohesive in-group culture. They enjoy maintaining the in-group interest, and the in-group protects the individuals. It is especially obvious in family in-group. People with low individualism tend to have close ties with, and take care of their immediate families in exchange for loyalty (Ringov & Zollo 2007).

In the workplace, individualism is manifested as autonomy, self-responsibility for results while collectivism characterized by work unit solidarity and team-based rewards (Newman & Nollen, 1996). In this dimension, Chinese scored low (Ralston, 1997).

Uncertainty avoidance (UAI) – is “the degree to which people prefers to avoid ambiguity, and prefer structured rather than unstructured situation” (Burns, 2005, 111). High uncertainty avoiding societies are routine-oriented and they are generally more difficult to adapt fresh demands and practices socially and environmentally (Ringov & Zollo, 2007). Low uncertainty avoidance cultures, however, prefer flexibility and competent to work under pressure. In the organization level, uncertainty avoidance can be characterized by a highly formalized concept of management, clarifications of plans, policies, procedures, and systems. By applying clear procedures and well-known strategies, it helps the enterprises to reduce uncertainty and feel comfortable (Newman, 1996). On the opposite side, high uncertainty acceptance performs in a form of tolerance of ambiguity in structure and procedure. (Hofstede 2001; Waart 2005)

The tendency of this dimension is also manifested in a country’s legal system (Steensma, 2000). Steensma used Chinese Empires as an example. The Chinese legal system was guided mostly by general principle leading to a more uncertain environment and it is accepted as a norm eventually.

Masculinity and Feminine (MAS) - refers to the distribution of roles between genders which is another fundamental issue for any society to which a range of solutions are found (Hofstede, 2003). In a masculine culture, inequality of women’s social status is obvious. People’s ideology tends to learn from strong and independent heroes who dominate over the others. As a result, people are more aggressive, assertive and competitive. In a feminine culture, women are more equally treated. The feminine society is less aggressive and more modest. It shows a strong preference to minimize conflicts between individuals through negotiation. According to Steensma (2000), the difference of masculinity among the nations may be due to historical reasons. For example, Scandinavian countries are generally feminine. Women in Scandinavia countries had pre-dominant role because the men were sailing away from the homeland in the last century. In contrast, men in China have dominated the production of agriculture and livestock, which in an agriculturally based economy, has led to a masculine society.

Long-term Orientation (LTO) – is the dimension comprised with two values: long-term and short-term orientation. It is regarded as a “time” orientation of a country
(Newman, 1996). Values associated with Long Term Orientation are thrift and perseverance; values associated with Short Term Orientation are respect for tradition, fulfilling social obligations, and protecting one's 'face'. It is a dimension derived from the Chinese philosophy – Confucius, who lived around 500 B.C. in China. Its application, however, is also valid for the countries without a Confucian heritage (Hofstede, 2003).

Hofstede’s Cultural Dimensions are the invaluable finding for understanding national culture and dimensions to measure culture (Sweeney, 1994). Numerous researches have adapted, either wholly or partially, Hofstede’s Dimensions as a tool to measure cultural difference. (Newman, 1996; Ralson, 1999 & Ringov, 2007) Nevertheless, it is usually difficult for one particular concept to please everyone. There are some criticisms that Hofstede’s five dimensions are too few to determine the whole picture of culture. Another limitation is that Hofstede’s research was held within the IBM’s staff only, which is regarded as more suitable to describe the culture in workplace, but not overall. In view of that, there are some other scholars worked out alternative of culture dimensions, such as Schwartz’s seven cultural dimensions comprising conservatism, intellectual autonomy, affective autonomy, hierarchy, mastery, egalitarian commitment and harmony, which are reviewed as a supplement toward Hofstede’s work for non-working cultural issue (Ng, 2006).

2.2.3 Organizational Culture

Organization Culture (OC) is the norms and values built within an organization. As with other cultural issues, academic research fails to reach an agreement of the meaning of OC (Dimitratos & Plakoyiannaki, 2003). Schein regards OC as “a pattern of basic assumptions that a given group has invented, discovered, or developed in learning to cope with its problems of external adaption and internal integration, and that have worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems” (Schein in Kessapidou & Varsakelis, 2002, p. 269). On the other hand, Sweeney (1994, p.6) has given a simpler meaning stating that “OC is expressed by the way of people set personal and professional objectives, perform task and resources to achieve them”. Unlike national culture, OC is unique to one particular organization. Even within the same country, OC is not likely to be imitated from one to another. NC is claimed to have substantial influence to OC. (Sweeney, 1994; Garibaldi, 2006)

In entrepreneurial study, OC is also regarded as “international entrepreneurial culture” (IEC). IEC is defined as “organization culture that facilitates and accommodates the entrepreneurial activities of the firm in the international marketplace” (Dimitratos & Plakoyiannaki, 2003, p.193).
2.2.4 National Culture, Organizational Culture and Entrepreneurial Behavior

In the study of culture, organizational culture seems to be overstated while the significant influence of national culture was neglected. Scholars have put more effort in organizational culture’s influence on enterprises, while the amount of study on the influence of national culture is relatively small.

Indeed, NC affects OC as well as the enterprise’s behavior and performance. According to Noronha (2003), the relation between national and organizational culture is that national culture is the super-ordinate value system while organizational culture is the sub-value system. The value system of the organizational culture is always defined by the national culture. It is especially obvious in small enterprises. When an enterprise is still in infant stage and the OC has not been clearly established, the force from NC is significant. According to Motta and Caldas (in Garibaldi, 2006, p.160), NC is one of the key factors that differentiates the culture of one organization from the culture of another. This clearly states the influence of NC on OC.

Focusing on the individuals in an organization, the influence of NC is everywhere. No matter whether the individual is an entrepreneur or a department manager, their attitude, expectation and the way they get the work done vary according to the NC of the country within which they are working (Sweeney, 1994). At the organizational level, “the organizational values have to be legitimized by the culture value” of the local nation (Garibaldi, 2006, p. 163). NC’s influence on OC exerts on the core values of an organization. Values manifest in an organization’s attitude, mission, motivation and priorities. By investigating this, the locus of natural culture would be found. Hofstede’s Cultural Dimensions (1980, 2003) actually provided a good tool to study OC and analyse the NC.

In fact, national culture also influences the behavior and performance of an enterprise. In financial aspect, debates are always held in Multinational Corporation about the adoption of NC, rather from the home country or from the local country (Newman, 1996). NC also affects an enterprise’s tendency to make alliances, to a further expand, the strategy of partnering and network management (Steensma, 2000). Using Hofstede’s Cultural Dimensions is, once again, a convenient tool to examine the connection between performance and NC (Steensma, 2000; Waarts, 2005 & Ringov, 2007). For example, it shows that power distance and masculinity are harmful to an enterprise’s performance on social and environmental aspects.

The connection between entrepreneurship and national culture should not be ignored. Entrepreneurship is one of the core values within an enterprise, while innovation is a key element in entrepreneurship. Previous researches show evidence that nations with a high level of power distance, uncertainty avoidance and masculinity would be less willing to adopt innovation. In contrast, innovation is enhanced in the national with long-term orientation culture (Waart, 2005).
2.2.5 Chinese Culture, Confucian and Guanxi

In entrepreneurial studies of China, culture is always a hot topic to be discussed. It is obvious that Chinese culture different from those in western countries. Because of this, the connection between cultural issue and enterprise is worthwhile to study, especially the influence of Confucian and guanxi.

Hofstede’s study of Cultural Dimensions includes China. In his dimensions, China is a nation scored high in Power Distance and Long-Term Orientation where scored low in uncertainty avoidance and individualism. Simply following Hofstede’s explanation, China would be a nation having clear hierarchical perspective; people keen on working together; group orientated; no fear to face uncertainty and characterized in thrift and preservative. Ralston (1997) has also pointed out that Chinese is group-oriented in terms of culture and ideology. His research conducted in 1997 compared the managers come from China, Japan, Russia and United States, it shows that the managers in China are less opening to change, less self-initiative, respect traditional values, appreciate conformity and keen on keeping harmony. Part of the finding also shows the influence of Confucian.

![Hofstede's Cultural Dimensions – China](image)

Confucian has been regarded as the dominant culture in China. Confucius was born in Shan Tung; China in 551 B.C. Confucius spent most of his life in education and teaching. At about age 30, Confucius and his students began their journey to spread their doctrine to the lords of the states. However, it was not accepted by the lords who found that Confucian doctrine had conflict with their interest. At his age 68, Confucius returned to his home state, Lu. He wrote and taught, died at age 73. (Dollinger, 1988) Confucian stresses the importance of rites, filial piety, relationship, loyalty and humanity. The greatest hope of Confucius was to establish those doctrines to build a peaceful society and respectful social relationships among everyone in the society. For example, “rites” includes politeness and propriety to the understanding of each person’s correct place in society. Although it is not a law, it is a social norm. If
people do not obey “rites”, they may not necessarily be punished, but according to social norms they will be shamed (ibid, 1988).

Confucian has been playing an important role in political and social ideology in China and East Asia. However, Confucian discourages entrepreneurship (Max Weber in Lam, 1994). Lam explained that it is because Confucian doctrine does not appreciate merchant, as well as entrepreneur nowadays. The overwhelming classical books written by Confucius obstructed the innovation of the society, which is regarded as an important element for entrepreneurship.

Moreover, there are authors who are pointed out that Confucian is not a representation of Chinese culture (Lam, 1994). Lam argued that Confucian is only one of them, and that other ideologies, such as Taoism, Buddhism, and some sub-culture are coexisting and interacting with Confucian. However, the overstated of Confucian is understandable. It is because the doctrines of Confucian not solely influence China, but also Korea, Japan, Singapore and some of the South-East Asia countries. Taoism, however, is influencing mainly Chinese Culture.

Apart from Confucian, Chinese have an alternative cognition towards relationship and networking, called “guanxi”. Guanxi is an informal network of personal relationships that involved an exchange of advantages for the sake of doing business (Lovett, et. al., 1999). Although it was originally an implication of inter-personal connection, it has dominated Chinese people’s mindset for a long time (Zhang & Zhang, 2006). Actually, guanxi appears in China under three types of relationships: obligatory type, reciprocal type, and utilitarian type (ibid). Firstly, reciprocal type of guanxi is mainly the relationship within the family. It is an unchangeable relationship which is the strongest and lasts for longest among all types of guanxi. Secondly, the reciprocal type is the relationship of an in-group, such as fellow alumni, and countrymen. This type of guanxi is maintained by trust and reputation among the individuals having the same background. Thirdly, the utilitarian type is for the rent exchange and getting favor, it is less trustworthy and not likely to last for long (ibid). Within an organization, these guanxi always coexist together.

Chinese culture looks serious on the relationship within the family. Hall and Xu stated that Chinese define family as an in-group and treat family members as trusted personnel. This is different from Japanese and Europeans, who regard company and individual as an in-group respectively (in Ralston, 1997, p. 201). Guanxi with government is also an interesting phenomenon in Chinese culture. Guanxi with government is the competitive advantage of an enterprise (Zou & Gao, 2007). Government is the most influential stakeholder of businesses in China. This makes it important for entrepreneurs to find out the base of guanxi with government officials. Via present giving or favor transferring, the entrepreneurs develop and maintain the guanxi. In exchange, the government officers provide information and favors to particular parties, which become the entrepreneur’s sole competitive advantage.

Unfortunately, guanxi also induces conflict of interest (Provis, 2007). It involves the conflicts between “organization and individual”, “business ethics and personal
relationship”, and “employee obligation and in-group responsibility”. It worried some scholars that guanxi on one hand smoothen the personal relationship, on the other hand conflicted the interest of organization (ibid).

2.3 Government and Policy

The influence of government and policy toward enterprise has been discussed for a long time. Government plays an important role in setting up rules and regulations which the enterprises are required to obey, and stimulating the market demands of products. The importance of government was proved in 1930s, when the economy of United States was greatly successful under the direction of government’s invisible hand. However, neo-classical economists believe that government should reduce the involvement in the market and let the market free (Saxena, 2004).

Chinese government has significant influence on the development of the Chinese economy. China has had a socialist economy in the past, and it worked well for a period of time (Saxena, 2004). Saxena stated that socialism and collectivism would be suitable for a country to create an economic boost in a short period. It was really desired by China after the Second World War. This historical background remains its locus up to now; Chinese government is still the key actor for the economy. It can be seen from government’s control on the enterprises. China has many state-owned enterprises for which central government is still the biggest shareholder of them.

One of the ways for the government to control the national economy is exerting the influence on the enterprises, rather Multinational Enterprises (MNEs) or Small and Medium Sized Enterprises (SMEs), and rather owning them or affecting them by policies. Government and policies influence the entrepreneurs in many ways. According to Michael Heseltine (in Robson & Bennett, 1999, p. 779), government has a key role to act as a catalyst, investor and regulator to strengthen the economy. Many governments set up Small Business Service (SBS) department to help the entrepreneurs. As Robson (1999) said, the setup of this department provides services to the entrepreneur and consequently asserts control over them. Also, as this department is acting as an agent, it has the influence on the network perspective among the entrepreneurs. Nevertheless, the SBSs do provide help for SMEs. Moreover, entrepreneur innovation also requires support from government (McGuire, 2006). Enterprises themselves may not have enough capital to undergo research and development, so government can provide funds to the enterprise. The fruitful results would be the increase of competitive advantage of the enterprise, as well as the nation.

In the past two decades, China was undergoing a reform of economy, from planned economy to market economy. During the transition, the Chinese government does not merely own the enterprises, but also directly appoints the top managers to the major state-owned enterprise. It was regarded as an important means for the sake of controlling economic activities during the transition from socialism (Li, 2000). Li stated that tight government control, on the one hand increase the consistence of
policy and enterprise behavior, and on the other hand increases the governance cost to the country. Besides this, local governments are unlikely to be aggressive to push up the competitiveness of the enterprises, resulting in low efficiency.

Apart from direct intervention, using discourse is a softened way to exert control. However, it is also challenged by academics (Perren & Jennings, 2005). Using websites, speeches or other means of publications, governments express the expectations of the enterprises and entrepreneurs. Moreover, governments are keen on mentioning its help to the SMEs, and thus justify what action should be taken by the entrepreneurs for the interests of the society. As a result, enterprise is subjugated by the government, as well as the public expectation (ibid). Enterprises and entrepreneurs become an “economic machine”, losing their independence, which discouraged entrepreneurship as well as weakens the competitive advantage of the enterprises.

It seems that the scholars generally agree upon the importance of government support, and on the other hand are disappoint with the excessive intervention on the enterprises. Like Li (2000) suggested, government control will be more desirable in an economic incentive way and less politically and bureaucratically characterized.

Last but not least, it is worth to point out that the flow of control between government and entrepreneur are not always in single direction. Government policies may be a result of enterprise’s influence. Under the circumstance of China, guanxi can be a tool to change the flow of control from government. Gao and Tian (2006) suggested the common ways of entrepreneurs to affect government’s decision making. For example:

- entrepreneur take part in political congress and build up impression to officer;
- finding common relationship with the officer;
- money, advantage and gift giving;
- investment in government’s commonwealth projects;
- to be an outstanding enterprise in the state or province, in order to increase the reliability and reputation

17
2.4 Conclusion of Literature Review

In so far as we have studied, this section has identified the important factors affecting the enterprise’s behavior and development, namely entrepreneurship, national culture and government policy. It is also found that these factors are not only directly influence the enterprises, but they also interact with each other and thus indirectly exert influence to some extent.

By reviewing the literature, the authors found that the connection between enterprise, entrepreneurship and national culture is relatively rich. However, the influence of government toward the enterprises should not be neglected, especially in China. China is a socialist country with collectivism ideology; the central government is exerting great control towards the enterprises to make them coincide with the policies. Although it may not be the main stream of academic research, entrepreneurship is interwoven in both dominant and recessive versions (Berglund, 2007). Although the recessive version is under-covered, it does exist.
3.0 Conceptual Framework

By reviewing the literature, we saw evidence to show that entrepreneurship, national culture and government policy have significant influence on the behavior of an enterprise. Entrepreneurship includes innovation and networking. National culture includes the elements described in Hofstede’s culture dimensions, and particularly in China - guanxi and Confucian. Government Policy includes government’s control of enterprise, exerted directly or by discourse.

The authors admitted that the above-mentioned themes are broad concepts where each of them has been widely discussed throughout decades. However, we believe that these themes are the main factors which fundamentally influence the behavior, operation and development of an enterprise in China. By conducting this research, we aim to examine how these factors interact with the enterprise and how important they are to the enterprises in the mean of development and growth. As mentioned above, each of the themes contains several elements. By combining these elements, we have developed a conceptual framework (figure 3) that will investigate the role of entrepreneurship, Chinese national culture and government policy in the development of enterprises in China. We expect to have a thorough investigation of each theme and spot out which of the elements has dominative effect to the theme.

It should be pointed out that the literature regarding the influence of entrepreneurship and national culture to the enterprises is rich. Government policy, however, is less than the authors’ expectation before undergoing this research. Nevertheless, it does not mean that government policy is less important to the enterprises. In contrast, we believe that it is one of the most influential factors especially to the particular environment of China.
Figure 3: Conceptual Framework – how an enterprise is made in China
4.0 Methodology and Data Collection

The method of research and data collection used to answer the research questions of *how to make an enterprise in China* and *what are the factors influencing the behavior, survival and development of the enterprises*, will be selected and explained in this section.

4.1 Research Approach

In this section, the authors will present the research methods adopted in this thesis work, including the literature reviewed, choice of research approach and method of data collection, etc.

4.1.1 Search of Literature

The purpose of searching previous literature is to collect the main stream of doctrine and ideology and build up the conceptual framework for this research. Most of the reviewed literature is searched via and downloaded from the database ELIN@Mälardalen of the Library of Mälardalen University. In addition to this, textbook, online textbook, academic websites such as Hofstede’s Cultural Dimensions and websites of Chinese Government etc. are also reviewed as supplementary.

4.1.2. Qualitative Case Study Approach

First of all, this is a qualitative research. The advantage of choosing qualitative approach for this research is that texts and rhetoric are better to manifest the embedded ideas of entrepreneurial or cultural issue, comparing with figures. Moreover, the research questions are to investigate the variables which the authors do not have pre-justification. Qualitative approach would be better to interpret the findings (Fisher, 2007).

In contrast, quantitative approach includes the use of pre-coded questionnaire and decoding analytical method in order to find out the significance of or relationship between the variables. However, in business study, it is not often suitable to investigate the variables statistically. In this research, it aimed at finding out the fact and phenomenon rather than statistic of a particular issue.

4.1.3 Semi-structured Interview Method

Regarding the method of data collection, semi-structured interview was adopted. Commonly, there are two types of interview, unstructured and structured interview (Fisher, 2007). Unstructured interview, or open-interview is a straight forward approach. The interviewee is engaged in an informal conversation with the interviewee. Although the interviewer may make intervention during conversation, however, it is the interviewee to lead the conversation for a particular area of interest.
Structured interview, in contrast, is well organized in advance and controlled by the interviewer. Script and interview questions is provided, interviewee is given a series of options for most of the questions. (ibid, p.159)

This research approached an intermediate method of the above-mentioned. It is a semi-structured interview. Script and interview questions were provided to the interviewee. However, no option of answers is suggested. The interviewee is free to answer any of the questions directly according to their experiences and insights. The advantage of choosing that is the opinions originated from the interviewee will not be distorted by the limited options of answers. Besides, it can better induce the interviewee to generate some precise opinions from their insight, which would be appreciated for the research questions.

Other methods were also considered but not adopted at last. Pre-coded questionnaire is another common approach in business study. However, the pre-coded nature of questionnaire largely limited the interviewee to express their opinions. It is not coincided with author’s aim that “gets the opinion that the interviewee originally thought”. Besides, observational method would be a nice idea for this research, especially for culture issue, some scholars has adopted this method before. However, due to the constraint of time and space, observational method is impossible to adopt in this research. Panel meeting is also rejected because of the geographical distance between the authors and the interviewees.

4.2 Data collection

As mentioned above, interview is the major mean for collecting primary data for this research. Entrepreneurs are the spiritual part in the organizations. By interviewing them, the authors are looking forward to gather the information which satisfies the research questions.

4.2.1 Primary Data

In order to get authentic and exact thoughts from the entrepreneurs such as the important decisions made by them, we have designed 25 questions to interview two entrepreneurs in the way of phone-interview. Among the questions, eight of them are designated for entrepreneurship, ten are designated for national culture and the rest are intended to investigate about government policy. Apart from asking the entrepreneurs the questions directly related to the research questions, the authors also try to know more about the operation of the enterprises in order to get the information objectively.

The advantage of using phone-interview is that we can get the answers directly without really seeing the interviewee which seems impossible for us because of the geographical distance.
4.2.2 Secondary Data

As a supplementary, search of secondary data is also a mean for collecting data. Websites of the target enterprises, websites of related government departments and economic statistics announced officially are also searched for the research. We hope the data in this aspect could be a reference or counter-checking material for those collected via interviews.

4.3 Choice of the Cases

Since 1979, China has been undergone economic transition to market economy. Private enterprises were encouraged since then. Since state-owned enterprises are not covered by this research, so first of all, enterprises established before 1979 are not discussed by us. Both of the enterprises were founded under market economy in this research.

The first enterprise is Poseidon Company Limited. It was selected because of the relationship between the entrepreneur and the author. One of the authors is the ex-schoolmate of the co-found of this enterprise. Besides, we have identified some features from this enterprise that are suitable for the research, or act as a complement to another case. Such complement is important for this research because the authors expect the cases will integrate each another to present an integrated picture to the reader.

Firstly, Poseidon was found in Shanghai, a better developed commercial city in China. It is expected that the collected information would have an objective reflection to China’s business environment. Secondly, the enterprise was newly established no more than a year and the interviewee is actively involved in from the start of the venture. It is believed that the experience and insight provided by the interviewee will be “real-time” and first-hand which increase the validity of the collected data. Thirdly, the entrepreneur is a Hong Kong Chinese. Although Hong Kong was handed over to PR China in 1997 from the hand of the British Government, it has a very unique historical background, cognition, culture and style of life. This is also manifested in Hofstede’s five dimensions (Hofstede, 2003). The interviewee, Mr. Cheung, is a Hong Kong Chinese, we believe his knowledge about Mainland China and his life experience in Hong Kong will allow him sensitive to identify the issues which is particularly appearing in China; for example, Confucian culture. Fourthly, Mr. Cheung is different from another case in terms of the enterprise scale, location; entrepreneur’s background, age and experience. We believe these two cases will be a perfect complement to each another.

The second enterprise is XinAo Group, founded in 1989. During nearly thirty years of reform and development in China, Chinese enterprises faced lots of opportunities and challenges simultaneously, such as the improvement of science and technology, globalization, and environmental crisis. XinAo Group went through most of these. It
is an enterprise established at the beginning of the reform and opening up in China, and now developed to be one of the most successful medium-sized enterprises in China. So we believe this company as a representative one, which can help us to know about the locus of enterprise in China.

Comparing with the first enterprise, XinAo group is expected to provide us with a deeper knowledge regarding these research questions. So the authors think that the composition of these two enterprises is suitable for this research.
5.0 Empirical Data

5.1 China in Brief

Staggeringly vast and a land of great diversity, China, the world’s most populous and third largest nation is more like a continent in itself than a country. Stretching from its southern borders in the Himalayas to the deserts of Mongolia in the north, and from the East China Sea through the Yangzi River Valley plains, to the Tibetan Plateau in the western mainland, China covers an area of 9,596,960 square kilometers.

China is a developing country, and it has about 1.3 billion population and over 5,000 years history. While there is a certain gap between China and other developed countries, China has been in a great moment during these years, it has created an economic miracle since its economic reforms began in the late 1970s, becoming the fastest growing economy in the world. The flood of foreign direct investment into China has been one of the most consistent and important financial trends of recent years. And many scholars even predicted that China may become the world’s largest economy early next century. Therefore, with the purpose of doing business with Chinese enterprise, it is necessary to know about the culture and other general information about China. (The Central People’s Government of PRC, 2008)

The politics of the People’s Republic of China take place in a framework of a single-party socialist republic. State power within this country is exercised through the Communist Party of China, the central people’s government and their provincial and local counterparts. The Communist Party put China’s development focus on the building of Socialism, economic construction and stability. As the characteristic of the ruling party in China, there are huge difference between China and other capitalist countries, in other words, the political system of China influences the way which Chinese entrepreneurs do business. (ibid)

Regarding Chinese culture, it most strongly influenced by Confucianism. It is an ancient Chinese ethical and philosophical system originally developed from the teachings of the early Chinese philosopher Confucius. It focuses on human morality and good deeds. Confucianism is a complex system of moral, social, political, philosophical, and quasi-religious thought that has had tremendous influence on the culture and history of East Asia. Some consider it to be the state religion of East Asian countries because of governmental promotion of Confucian values.

Concerning about the economy of China, it has the second largest economy in the world after the US when measured on a Purchasing Power Parity (PPP) basis. China has emphasized raising personal income and consumption and introducing new management systems to help increase productivity. The government has also paid attention to foreign trade as a major vehicle for economic growth. In accordance with "One Country, Two Systems" policy, the economies of former European colonies, Hong Kong and Macao, are separate from the rest of People’s Republic of China, and each other. Both of them are free to conduct and engage in economic negotiations.
with foreign countries, as well as participating as full members in various international economic organizations such as the World Trade Organization (WTO), the World Customs Organization (WCO) etc.

5.2 Case 1 – Poseidon Company Limited

5.2.1 Background of the Entrepreneur

Mr. Penny Cheung Tak Fung, 27, is the co-founder of Poseidon Company limited. He was born and educated in Hong Kong. In 2003, Cheung finished his bachelor degree in Marketing and worked as a front-line sales manager in a famous foreign invested department store in Hong Kong. In 2005, the department store has assigned Mr. Cheung to the Shanghai branch and promoted him to assistant sales manager.

Mr. Cheung realized that Shanghai was having high potential in the food trading market. From that moment, Cheung began to build up his knowledge of running a business in Shanghai as well as his personal network. In 2007, Mr. Cheung has made use of his experience in department store and the network with potential clients and suppliers, co-found with his friend a food trading firm, namely Poseidon Company Limited. Mr. Cheung held the position of sale manager. His major responsibility is the marketing of the firm, including checking of the sales amount, coordination with client, getting feedback from customers, interaction with the market and holding promotion campaigns.

5.2.2. Background of the Enterprise

Poseidon Company Limited was co-found by Mr. Penny Cheung and another Hong Kong Chinese Mr. Wong in mid-2007. Currently, Poseidon employed five staff for core management (including two founders) and seven staff as product promoters. The enterprise is still in infant stage. There are only five management staff acting the role of general manager, assistant general manager, administration manager, sales manager and sale supervisor respectively. Poseidon participates in food trading. The SME import snack food and frozen meat from Japan and Thailand and sell in Shanghai. Also, Poseidon purchases varied types of Chinese food products and exports to Hong Kong. The enterprise targeted to grow steady in the coming three years and consider expanding their business to some other major cities such as Beijing and Dalian.

5.2.3 Data Collected from Interview

Entrepreneurship

Mr. Cheung has started the business because of his belief that East China has great potential in food sale market. He has discovered that Eastern China (e.g. Shanghai) enjoys economic boost over decades. It is the richest region in China. As a result from
that, foreign invested supermarkets as well as the foreigners have entered the market. Mr. Cheung stated that it provided an opportunity for him.

Regarding the characteristics of entrepreneur, Mr. Cheung believed that an entrepreneur is both born and made. For example, intellectual quotient (IQ) is regarded to be the quality of born while emotional quotient (EQ), knowledge and network are the qualities made by the endeavor of the entrepreneurial. Mr. Cheung also admitted that his educational background in marketing, work experience in Shanghai’s sales market and job position of being a manager helped him to become an entrepreneur nowadays. According to him, entrepreneur’s definition is dominated as a networker. “Everything is about network in China” he stated. Besides, management skill, sense and innovation are also the important elements to define whether one should be an entrepreneur or not.

At the beginning of his venture, Mr. Cheung has experienced constraint of capital. Since it was difficult for new firm to get fund form bank, Mr. Cheung has borrowed the money from his personal network, in return of offering some business advantage to the loaner.

Regarding opportunities seeking, Mr. Cheung spotted the importance of innovation and networking. According to him, networking is also a good helper for him to innovate, in the mean of information exchange and brainstorming. Besides, he was keen on visiting exhibitions where he can absorb new ideas and explores the opportunities.

For the entrepreneurial network, Mr. Cheung argued that it is extremely important to build a good relationship with government officers, apart from the clients and suppliers in the market. He admitted that keeping good relationship with government would let him be informed about the movements inside government. He can have advanced precaution and preparation to take advantage from the intelligence. “It is the competitive advantage of an enterprise”.

Generally speaking, Mr. Cheung opined that networking skill and opportunity seeking ability are the most important abilities for an entrepreneur. Regarding innovation, he said it is important, however, innovation does not necessary break the old rules and tradition, especially running a business in China.

National Culture
Mr. Cheung defined culture as “the common life or working style of a group of people”. He agreed that culture is an important factor influencing the way of doing business. Take his enterprise as an example. Four out of five managerial staff are friends or having in-direct friend relationships. The staff coming from Mainland are more passive and sticky to the old way. Besides, the enterprise has to reserve a huge amount of money for gift giving. All of the above belong to the national culture in China.
Regarding the organizational culture, Mr. Cheung thought that it has not clearly built up in his enterprise, since it is still in an infant stage. However, he admitted that national culture would affect the built of organizational culture. He has given an example of a French famous supermarket “Carrefour”. When Carrefour has just started the business in China, it showed disfavor to the gift giving culture of Chinese enterprises. However, when Carrefour has expanded and employed more Chinese managers, it began to bind with this culture because the new intake of Chinese managers changed the cognition of the enterprise.

Regarding guanxi, Poseidon has business guanxi with the government, suppliers and the customers. Within the enterprise, some of the members have personal guanxi with one another. Guanxi as a networking tool is important for an enterprise to survive, however Mr. Cheung admitted that guanxi could weaken the legal system. To maintain the guanxi, the major way is gift giving. Mr. Cheung stated that it is not necessary to be monetary gift, but free products and free business trips.

Confucian is recognized as one of the important ideology in China. Mr. Cheung agreed that Confucian do have some influence, for example, the concept of guanxi and employing friends as co-workers. However, he believed that another ideology – Taoism has more effects on the way Chinese do their business. The behaviors of sticking on old way, passive are actually originated from Taoist’s theories.

Mr. Cheung pointed out that hierarchy system may be an effective mean to manage an enterprise because Chinese treat loyalty very seriously, which enhanced the use of hierarchy system. Nevertheless, he does not regard himself as a tough manger. Rather, he prefers negotiation and cooperation. In addition, he does not have bias to female co-worker. And the fact is that three out of five managers are female. “Female has an important role in nowadays society, especially in commercial city” he stated. Moreover, it is remarkable that the staff is willing to work in a team. However, Mr. Cheung complained that the staff is lack of the sense of duty to the enterprise and the ability to work alone without monitoring.

**Government Policy**

Regarding the government policy, Mr. Cheung has given an example on how government policy affects the enterprises’ decision making. The taxation regulation provided a taxation discount to the enterprise having turnover over YMB 1.8 million. As a result, it encouraged Mr. Cheung to focus on the turnover rather than the profit. Originally, it is just a government policy to increase the economic transaction; it also affected the way to operate a business.

Apart from that, Mr. Cheung mentioned that one of the most influential policies was the 1st year business tax free for new venture. He regards it as one of the fundamental reasons encouraged him to start over his venture. Besides, his guanxi with some government officers provided him some certain advantage, too. However, Mr. Cheung also complains that the government exerts control on getting commercial license. It is difficult to fulfill the licensing requirement for a new firm and the application fee is high. He mentioned that this policy has negative effect to the
enterprise’s innovation as the capital is allocated to the fee and charges apart from research and development.

However, Mr. Cheung does not notify any discourse neither announced by the government officers nor published in the government websites. He argued that his way to run the business will not subject to such discourse, unless it is a regulation which is compulsory to follow.

**Overall**

Comparing the three main themes of this research, Mr. Cheung thought that national culture takes the leading role, followed by government policy and entrepreneurship respectively regarding the influence to the way he operation and develop the enterprise. He added that he has spent a lot of time to deal with the culture issue for his enterprise. He has made a comparing between Hong Kong (his hometown) and Shanghai. “Shanghai’s economic development and opportunities on the one hand are similar to Hong Kong’s 1990s. On the other hand, the operation model of business is like Hong Kong’s 1970s.” In 1970s, Hong Kong was still keen on using guanxi and gift giving to as a mean to please the others.

### 5.3 Case 2 - XinAo Group Co. Ltd

**5.3.1 Background of the Entrepreneur**

In this case, we have interviewed Mr. Wang Yusuo, the chairman of the board of XinAo Group Co., Ltd by phone. Mr. Wang was born in Hebei Provence of China in 1964. He has graduated from the management Department of Tianjin Institute of Finance and Economics as a post-graduate with master degree (XinAo Group, 2008).

While most of the Chinese are chasing for “rich and honor” by earning money as much as possible, as a successful businessman with 18 billion assets, Mr. Wang has different opinion on it. He believes that “rich” is made by earning money, while “honor” is gained by returning to the society, only when the two are combined with each other, the real “rich and honor” can be shaped. As an enterprise owner, he concerns more on “honor” rather than “rich” (XinAo Group, 2008). From his resume, lots of titles are given to him, such as Chairman of the Board of XinAo Group, President of XinAo Charity Foundation , Member of 9th and 10th CPPCC National Committee, Vice Chairman of ACFIC, Vice Chairman of the 2nd Committee of the China Private Economic Research Association, Vice President of China Red Ribbon Foundation, etc.( XinAo Group, 2008)

As Mr. Wang said, he was not born as an entrepreneur. After failing to enter into university three times, he gave up his study and began to do business. At that time, he had lots of frustrations; actually, just because of these failures he went though, Mr. Wang entered into gas industry occasionally and took root in it.
In 1989, Mr. Wang established his own company - Langfang Xiali Car Rental Company. When he was managing this small company, China was undergoing a reform in resources industry. He has sought the business opportunities in gas industry and began to involve in petroleum and chemical. At the beginning of 1990s, state government allowed state-owned enterprises to collaborate with privately-owned enterprise and encouraged people to start their own business. As a result, Mr. Wang grasped the opportunity and the XinAo Group was founded (XinAo Group).

5.3.2 Background of the Enterprise

XinAo Group Company Limited (ENN), a large Hebei-based company, founded in 1989, is dedicated to the production and application of clean energy. The Group has regarded clean energy innovation as its mission, adopted carbon dioxide recycling business as its core strategy, and take on the clean production of coal-based energy as a major breakthrough. At present, it has formed a complete clean energy value chain from energy production, conversion, storage & transportation, and distribution & application. By the end of 2007, the enterprise has set up more than 100 subsidiaries, holding companies and offices in over 80 cities across China and in foreign countries including U.K., USA, Australia, etc., XinAo have employed more than 23,000 people with total assets exceeding RMB 20 billion (XinAo Group, 2008).

At the beginning of establishment, XinAo was formerly known as Langfang Xiali Car Rental Company. In the middle of 1990s, the company introduced natural gas, chemical engineering, municipal engineering and real estate, etc to Langfang Economic and Technological Development Zone. Then the company changed its name to XinAo Group Co-operation Limited after restructuring in 1997. In recent years, XinAo has stepped into logistics and the energy equipment industry, and in 2007, it has also entered into the photovoltaic energy field and set up ENN Photovoltaic Energy Production base in Langfang Economic and Technological Development Zone (XinAo Group).

In the developing process, XinAo has been constantly collecting driving powers and wise characters. Its name consists of two Chinese characters –“Xin” and “Ao” - which mean “new” and “profound” respectively. "New" implies investigation: new eras result in new environments; new goals result in new steps; new self-recognition results in new success. "Profound" stands for knowledge: excellent corporate culture gives rise to good development strategies; scientific governance leads to excellent management. The spirit of "New" and "Profound" makes it young and healthy forever, together with its value of pursuing excellence, and finally the company will be surely achieving the objective of harmonious coexistence together with its staff, customers, shareholders and partners, and accomplish its grand mission of becoming an evergreen enterprise(XinAo Group, 2008)

The symbol of XinAo’s organizational culture is elephant, which represents integrity, strength, team spirit and harmonious coexistence. The mission of the company includes innovation of clean energy development, improvement of living environment,
and enhancement of life quality. And all the employees of XinAo Group are encouraged to be innovative, responsible, proactive, can-do and clean.

5.3.3 Data Collect from Interview

Entrepreneurship
Mr. Wang introduced the impetus of opening his own business briefly, and said he never thought he would be an entrepreneur before. He just found an opportunity at the start of reform and market opening of China economy and grasped it. Regarding the concept of entrepreneurship, Mr. Wang stated that he have not thought about that seriously. But in his opinion, an entrepreneur is a person who starts his/her own company and makes important decisions, if a company is regarded as baby, an entrepreneur should be the “father” or “mother”. Besides, being an entrepreneur, the most important characteristics are creativity and humanity. Before Mr. Wang started his own business, he did lots of jobs, such as retail salesman, factory worker and he went through lots of failure. Thanks to these experiences, he found the scarce opportunity and these experiences helped him a lot. Certainly, at the start of his career, he has encountered some problems, for example, lack of capital and opening of the markets. But luckily, he has got the capital from banks and friends and took the advantages from some government policies, helping him to solve these problems. Mr. Wang opined that an entrepreneur should have insights, creativity, abilities to undertake risk and uncertainty. Only when one has such capacities, one can identify opportunities and direct the firm to the right way to develop. According to his own experience, Mr. Wang also thought that entrepreneurs are not born, but made. In his opinion, entrepreneurs need to be innovative and has the abilities to judge. It means an entrepreneur must have the courage to break the old rules and has the capability to take risks and uncertainty.

Nowadays, it is also important to maintain a friendly relationship with other companies or government organizations. For example, XinAo Group is going to study environmental friendly natural gas with universities, this activity is responded to government’s policy and got support from the state and local government. This is a kind of network with government. A good network will accelerate the development of a company.

National Culture
In the aspect of national culture, Mr. Wang seemed very glad to introduce the organizational culture to us, because he thinks culture is a spiritual backbone of an enterprise, it plays an important role in the development of an enterprise which cannot be ignored. There are two kinds of culture: internal culture, which means organizational culture; and external culture such as national culture like “Guanxi”. Every company has its own culture, some are good, and some are bad. Mr. Wang said that it is certain that both external and internal cultures will influence the entrepreneur and the enterprise, rather positively and negatively, hence, entrepreneurs themselves should have the ability to avoid the bad influence. In XinAo Group, there is a perfect set of organizational culture system. Mr. Wang and his
management team penetrated their belief into the enterprise. The company educates employees both in professional knowledge and organizational culture. The values of XinAo Group are responsibility, coordination, learning and creativity. Due to the history of China, “Guanxi”, a kind of relationship, is also an important factor in Chinese culture, especially in commercial activities. Mr. Wang lists some vital Guanxi in his enterprise, such as the relationships with Chinese government, business partners and co-founders. Mr. Wang said that the most important principle of coordinating with other companies or government organizations which you have “guanxi” with is to be honest and obey the implied rules and government policies.

In addition, Confucian influences Chinese’s education thousands of years. Therefore, most of the Chinese entrepreneurs will be affected by the concept of humanity in some extend. And owing to the impact of Chinese traditional culture, it is the situation that male managers dominated the managerial level his enterprise. Regarding hierarchy, Mr. Wang thought that it is common in Chinese society, because employees are lack of self motivation and they cannot do their works well without supervision, so hierarchy is one of the ways for management. As for the long-term mindset, most of Chinese employees do not care about it.

**Government Policy**

Lastly, for government policy, Mr. Wang admitted that government’s policy has both enhanced and distorted the entrepreneurial innovation into an extent. If a company accepts supports (financial or managerial) from local or state government, it will be easier and good for its development. And in the process of growth of an enterprise, it is necessary to develop business in harmony with the law and policy, such as, to operate legally, pay taxes and protect the interests of the country, employees and customers.

**Overall**

Finally, among the three factors as identified in the conceptual framework, Mr. Wang believes that government’s policy has the greatest influence toward his way of operating business, while entrepreneurship has the least influence.
6.0 Case Analysis

In this section we will analyze the collected data, to examine the effects of entrepreneurship, national culture and government policy toward the enterprises.

6.1 Entrepreneurship

After summarizing the answers from interviewees, we believed that the effect of entrepreneurship is noticeable. While both interviewees had different views on whether “entrepreneurs are made or born”, they displayed the concrete characteristics respectively which help to explain what entrepreneurship is: having insight to find new market, identifying opportunities, sticking to the goal, and being a networker. All of these abilities are what an entrepreneur should possess. Regarding the reason why the interviewees started their own businesses, we find that both of them discovered the potential chances existing in the Chinese market and grasped the chances. Furthermore, relative knowledge and work experience help the interviewees to search chances in certain fields which they are familiar with. For example, Mr. Cheung had studied marketing before and once worked in Shanghai, so he have opened his company in Shanghai; while Mr. Wang had worked in gas field, so he have begun the gas business. In general, only if an entrepreneur is creative and have insight, he or she can lead his or her company to be more competitive and profitable. Consequently, the enterprises can grow or develop better.

At the beginning of the ventures, both of the interviewees have experienced constraint of capital and problem of opening markets. Since it was difficult for a new firm to get fund form bank and stand in an industry, Mr. Cheung and Mr. Wang, both of them have borrowed money from his personal network, such as family members, friends. As a result, it is obvious to find that private network of entrepreneurs will help an enterprise in certain extent. With regard to relationships, both of the entrepreneurs admitted that building and keeping good relationship with the network can help their enterprises to develop. Mr. Cheung especially mentioned the importance of relationship with government. Mr. Cheung believes that networking skill and opportunity seeking ability are the most important abilities for an entrepreneur. In Mr. Cheung’s company, the relationship between co-founders is important, because they built up the company based on the good private relationship and trust. While according to the particularity of gas industry, Mr. Wang paid attention to the entrepreneurial network, such as the relationship with scholar organizations, state and local governments. From the answer of the entrepreneurs, it is not hard to find that in business world, it is quite important to have a good relationship with other firms within or outside the industry which the enterprise is within, and government organizations. It can bring together a broad selection of resources and professionals which can help to launch the business successfully.

In the subject of opportunity seeking, Mr. Cheung and Mr. Wang spotted the importance of innovation and networking. Both of them are good at spotting opportunities and having new ideas through various kinds of situations. Today, in some hottest industry of China, competition between the enterprises is becoming
increasingly intensive, so they are facing great challenges. Under this situation, innovation is the only way for an enterprise to survive and develop.

For entrepreneurial innovation, both of the interviewees believed it is an important characteristic which an entrepreneur should have. Innovation is defined as the “carrying out of new combinations”, the key words of innovation is “new”, so an enterprise should produce “new” products, enter into a “new” market, use a “new” method to produce. From the examples given by Mr. Wang, XinAo has based on the current UCG technology of Russia and other European countries, innovated a new coal-based clean energy and promoted for the industrialization of it. Besides, due to the severe shortage of non-renewable resources in China, XinAo has brought in solar-energy technology. According to the examples, it is not difficult to find that innovation brings new developing opportunities to XinAo Group, bringing it into a new market and becomes the leading one in gas industry. When we discuss innovation, breaking old rules cannot be ignored. However, the interviewees have different ideas; one opined it is not necessary, another said that only breaking the old rules, one can make a great progress in innovation. In fact, whether or not it is necessary to break old rules, it depends on what kind of old rules it is. If the old rules are bad for the growth of an enterprise, then it is necessary to break it; but if the old rules are just about Chinese tradition with no negative influence to the enterprise, it will be not necessary to break.

In short, Mr. Cheung opined that networking skill and opportunity seeking are the most important abilities for an entrepreneur while Mr. Wang selected innovation.

6.2 National Culture

Firstly of all, both of the interviewees agreed that there are some effects of national culture toward the organizational culture. Nevertheless, the attitude toward OC among the two interviewees is greatly different. The influence of national culture is more obvious in the new enterprise as the organizational culture is not yet developed. When the enterprise becomes more mature and larger, organizational culture has to be built in order to maintain the core value. The influence of national culture will be diminished. It explains why the interviewees have different awareness of OC.

Both of the interviewees agreed that Confucian has influence to enterprises. It is reflected in the management thought of the entrepreneur. Both of the interviewees adopted a “kindness” and “corporative” as management style. This management style came from the Confucian elements of “humanity” and “gentleness”. It fulfilled Confucius’ greatest hope of creating a peaceful society. The drawback is that the employees may be lack of awareness of their own faults resulted in poor efficiency and performance. Apart from that, the gift giving culture described by Mr. Cheung is actually a manifestation of “rites”, another element of Confucian. There is a social norm in China that giving gift to the others represents one’s respect. Thus, it is utmost important to give gift in Chinese business World.
Although the authors agreed with Max Weber’s thought that Confucian is the enemy of entrepreneurship (in Lam, 1994), it seems that Confucian do offer some advantages in management the business in China. The art of balancing Confucian and entrepreneurship would be the examination to the entrepreneurs and the managers in China.

Nevertheless, we are extremely interested in the claims that Taoism is another Chinese national culture which is exerting great impact on the working behavior though neglected by academics. One of the reasons that Confucian has become a widely recognized culture is because Confucian has spread over Japan, Korea and South-East Asia, while Taoism limited its influence mainly in China. The result shows that the Chinese employees are less motivated, sticking to the old ways and less ready to accept new things. These behaviors are connected to Taoism’s tenet of “non action” (“wu wei” in Chinese) which advocates humans should live well with nature without damaging it and accept the current situation. The authors believe that such kind of tenet embedded in Chinese could have negative effect on the employee’s performance and entrepreneurship.

The interview questions have also examined the culture issue under Hofstede’s Cultural Dimensions. In Hofstede’s dimensions, China scored high in the “Long term Orientation” and “Power Distance”, moderate in “Masculinity” and Low in “Uncertainty Avoidance” and “Individualism”. The result shows that it was general coincide with Hofstede, but with some deviations. Firstly, “Long term orientation” is less obvious in workplace. Employees are less likely to commit to the enterprises as “commercial organizations” are not regarded as an in-group in Chinese culture. Secondly, power distance is manifested in centralized decision making and clear hierarchy system. The results show that Chinese employees work peacefully with hierarchy system and the managers take the absolute leadership. However, nowadays leaders in Chinese enterprises are also aware to be respectful to subordinate and listen to their idea. Thirdly, the result regarding masculinity is interesting for the authors. It shows that Chinese enterprises are open to accept female workers and managers. In Poseidon, 60% of managers are female. The authors doubt that the attitude toward masculinity is changing, accompany with the development of economy. Nowadays, female are equally educated and their talent is easier to manifest in commercial society. Lastly, concurring with Hofstede, result shows that Chinese are less avoidance to uncertainty and less individualistic. Nonetheless loyalty to the in-group is one of the characters of individualism; it is worth to point out that the result indicated loyalty toward enterprises is low. There are two possibilities to explain this phenomenon: First, the society value is changed; second, workplace is not regarded as an in-group.

Generally, result shows that Chinese do better than expected in term of Muscularity and Power Distance. In contrast, the performance in “Long Term Orientation” is a bit deviated from current study. The overall influence of such culture behavior is that Chinese enterprises have a relatively fair working environment which female workers are accepted and ideas from sub-ordinate are respected. Besides, entrepreneurs are not afraid of uncertainty. It encourages innovation and maintains a harmonic
atmosphere within the organization. Unfortunately, the employees are less willing to commit to the enterprise since they do not regarded company as an in-group.

The result also shows that the entrepreneurs know very well about the advantage of using guanxi. It shows that they have morally accepted the use of guanxi. The enterprises have made use all of the three types of guanxi (obligatory, reciprocal and utilitarian) as described by Zhang and Zhang (2006). We found that guanxi also affect the organization structure of an enterprise, for example: the tendency of employing family members and friends. Relatives or friends may give higher loyalty toward the enterprise. However, conflict would easily happen between the “outsider” staff and the “family” staff, results in unsmooth operation and irrational decision making.

Regarding way to maintain guanxi, gift giving is one of the most commonly way (Zou & Gao, 2007). The result shows that the gift giving culture does not merely mean to maintain guanxi; it is also developed as a marketing strategy for product promotion. By giving a free product to other organizations, new product is promoted. Simultaneously, the receivers may not aware of the ultimately purpose of this act as it is very common in China to show one’s respect to the others by giving gift. Recently, some local governments in China have amended the regulation of bribery such as limiting the maximum value of gift giving and invitation for meal. However, the result shows that gift-giving has become an undividable part in the operation model of the enterprises.

6.3 Government Policy

In general, both of the interviewees rated quite high to the significance of effect of government policy to the enterprise. XinAo’s Mr. Wang regarded government policy as the most important factor to the development of his enterprise. The authors do not feel surprise on it because China government has adopted to use “inclined policy” to favor some industries and wish those favored industries push up the overall economy eventually. Petroleum and natural gas as a strategical resource was favored from the policy. It explained the reason why XinAo’s entrepreneur rated government policy so high.

On the other hand, government policy also gave an invisible hand to the small enterprises, like Poseidon. The taxation policy as described in “Empirical Data” provided a motivation to the small enterprise to chase turnover (taxation discount for turnover over YMB 1.8M per annual) and provided a favored environment for one to start their venture (1st Year tax free). It is an encouraging result. It shows an opposition with the original thought of the authors – We expect China government is still lack of encouragement to SMEs. These policies help Chinese enterprises to born as well as survive in the most difficult infant stage. However, the results also indicated that it is expensive and complicated for the SMEs to get licenses and permits. The authors regard the reason as bureaucracy and multi-layer of government structure. China’s tradition provided an authoritative image to government officers. In some cases, one has to be respectful and give “face” to the government officers in
exchange of their applications under progress. Besides, the complicate government structure makes the application to take longer time to proceed. This problem worries the SMEs who have tight capital and limits their fund for entrepreneurial innovation.

Furthermore to the taxation discount as mentioned above and having an alternative view on this issue, the author suspect that the entrepreneurs and their enterprise have become the “machine” for the government to boost the economy. The policy encourages the enterprise to chase a higher turnover which turn out may not have financial advantage to its own. It is what exactly what Perren & Jennings (2005) argued that government subjugated and limited the freedom of the enterprises.

Although both of the cases show that government’s discourse such as websites, announcements, etc do not affect the way the enterprise running the business; the authors do find certain government websites which introduce the importance of enterprise and its contribution (The Central People’s Government of PRC, 2008). The authors doubt that such discourses, although not realized by the entrepreneur, have provided a cognition and expectation to the public. As a result, way of operation business by the enterprise is influenced indirectly by the government’s discourses.

Government control, however, is a doubled edged weapon which also has advantages to the enterprise. XinAo’s case shows that government acting an important role for R&D since enterprises are usually lack of capital in this aspect. Apart from that, the authors observed from the government websites (The Central People’s Government of PRC, 2008) that the Chinese government focuses on completing the regulations regarding environmental protection and business ethics. In short term, such regulations cost the enterprise more tax and fee in result of lower competitiveness. However, in long term, it saves social expenditure and encourages the born of ethical enterprise.

Last but not least is the author’s concern about the guanxi between government and the enterprises. The authors agreed with Mr. Wang’s opinion to “develop business in harmony with the law and policy”. However, the result also manifested the perplexed relationship between government officers and the entrepreneurs. Both of the cases stress the guanxi with government departments and one of the cases admitted they have received advantage from personal relationship with government officer. Guanxi may offer advantages to one or a few entrepreneurs. How about the rest? The authors doubt that the abuse of guanxi makes unfairness among the industries. In long term, it lowers the efficiency of both the enterprise and government. Also, it weakens the persuasiveness of the legal system.
7.0 Conclusion

7.1 Conclusion

The authors have identified the major elements that affect the development and behavior of the enterprises in China. For example, innovation and imitation, guanxi with government, gift giving, Confucian, Taoism, etc. are discovered in this paper. We regard these issues as the core values of an enterprise in China. Comparing the three main themes, entrepreneurship, national culture and government policy in this research, it shows that the national culture and government have a more important status to the Chinese entrepreneurs (Figure 4).

It is an interesting result as the western World may regard entrepreneurship to be the leader factor. However, if we carefully consider the situation of China, it would be a reasonable result. Firstly, China is a socialism country which government always takes control to the “planned economy”. Also, China is now approaching a more opened market. The market is under transition, government’s tight control is necessary to keep it stable. It is one of the reasons why Mr. Wang regarded government policy as the most important factor. And under such condition, entrepreneurship is largely limited by the act of Government.

National culture is also highlighted by our interviewees. The reason may be that Chinese’s national culture would have more conflict with entrepreneurship and the way to operate an enterprise. So, the Chinese entrepreneur noticed that as they have involved much effort in solving it in their enterprise.
Figure 4: Factors influence the behavior and development of Enterprises in China
7.2 Implication

China is the largest transition economy in the world, increasing foreign companies and individuals began to realize the broad market in China. Hence, individuals and enterprises are intended to open Chinese market and start their own enterprises in China. In this paper, we have presented an overview of the enterprises in China that are greatly different from the cognition of western World. We believe this research would have impact to the common recognition toward China and Chinese enterprises and we wish this paper would encourage scholars to research Chinese enterprises from different aspects.

Further, this research could be helpful for the people who consider starting their ventures in China. We have identified the issues about culture of China, behavior of employees and enterprises, and guanxi.

Finally, the discovery of guanxi between government and enterprise makes us concerned. We hope this finding would be notified and reviewed by the related government departments.

7.3 Recommendations for Further Study

In our paper, we have identified the elements of making an enterprise in China. Certainly, factors affecting an enterprise are not limited to those we have investigated in this research. Others such as ideology, history, educational, and political system are also suggested to be studied.

Based on the conceptual framework, we have discovered a few elements such as Confucian, Taoism, guanxi, gift giving, and imitation behavior. which are exerting influence toward Chinese enterprises. In-depth study on each of the above mentioned are highly recommended.

Furthermore, study on Chinese enterprises should not limit to the firms in urban area. In recent years, rural enterprises in China which produce mainly agriculture and livestock products are increasingly developed and more attracted attention from public. We believe it is valuable to use the themes in this research, such as entrepreneurship and government policy to study the dynamics of the rise of these enterprises.
8. References


13. Ericksen, G. K., 2002, ”The Ernst & Young Entrepreneur Of The Year Entrepreneur of the Year Award Insights from the Winners' Circle”, Kaplan Business, Vol. 35,


27. Lovett S., Simmons L. C. & Kali R., 1999, ”Guanxi Versus the Market; Ethics and


Appendix

Appendix 1 - Request for Interview

Dear Sir / Madam,

We are the students at Mälardalen University undergoing a research on the topic: How an enterprise is made in China. We are investigating the influence of entrepreneurship, national culture and government policy toward the enterprise.

We know that you have many successful stories behind, your experience and insight is invaluable to us. We politely invite you to spend about 60 minutes to attend an interview, allowing us to know more from you and your enterprise. All the information collected with be confidential and will be used for academic use only.

Thank you very much! Your participation is very important for us.

Best regards,
Brian Lo & Eileen Chen
April 08, Sweden
Appendix 2 - Interview Questions

1. What motivated you to start your own business and how did you come up with the idea for your business? 请问您为什么要开办自己的公司，是如何产生这个想法的？

2. Did you have any relative experience (relative knowledge, work experience etc.) prior to starting your own business? 在您开始创业之前，是否有一些相关经验，比如相关的知识或是工作经验？

3. What problems did you encounter when starting up your business? How could you fix it? 在创业之初，您遇到了什么困难，是如何解决的？

4. What is your definition of entrepreneur? 您是如何定义“企业家”的？

5. Entrepreneurs are made or born? What is your opinion? 您认为企业家是天生的还是后天培养的？

6. What is the most important skill for an entrepreneur? 企业家最看重的能力是什么？

7. How did you spot the business opportunity, or develop the idea for your enterprise? 您是如何发现商机的，或是为了企业的成长，如何开发好的想法？
8. Nowadays, it is important to maintain a friendly relationship with other enterprises or government organizations. How do you think about that? Is it helpful to your business? Please give us some examples. 现今，一个企业与其他企业或是政府机构维持一个良好的关系是很重要的，您是如何看待这个问题的？这种关系对您的企业有帮助吗？请举例说明。

9. Do you think it is necessary for entrepreneurs to be creative and break old rules? Why? 对于企业家来说，富有创造性和打破陈规是必要的吗？为什么？

10. Do you have any idea about "Culture"? Do you think culture is an important factor influencing the way of doing entrepreneurial business? Why? 您如何理解"文化"一词？您是否认为"文化"是其中一个影响企业运作的要素？为什么？

11. Do you think organizational culture has already been built within your enterprise? How? Can you use some words to describe the organizational culture of your enterprise? 您是否认为您的企业已经建立了自己的企业文化？如果是的话，请您解释这是如何建立的。您可以用一些句子简单地描述您公司的企业文化吗？

12. Do you think the national culture has influence to the organizational culture which is built in the enterprise? 您是否认为民族文化(外来的)会影响企业文化(内在的)？请举例说明。

13. Do you think that your entrepreneurial behavior (e.g. innovation, risk taking, etc) is influenced by the nature culture of China? 您是否认为企业行为(例如创新精神，风险承担)受国家文化影响？如何受影响？可以给我们一些例子吗？

14. "Guanxi" is always regarded as important in Chinese culture. What kinds of "Guanxi" do you / your enterprise have? 中国文化很重视"关系"，在您和您的企业里，跟甚么拥有关系？是怎样的关系？
15. How do you coordinate with the companies or government organizations which you have "guanxi" with? Apart from that, can you tell us any other of your opinion toward "coordination of guanxi"? 您怎样协调与您和您的企业有关系的政府部门及公司的关系？除此之外，有没有其他关于"关系协调"的心得您可以告诉我们？

16. Do you agree that Confucian has influence to the organizational culture and operation of your enterprise? How? 您是否同意孔子或儒家思想对企业文化及运作产生影响？如何影响？

17. Is it the situation that male managers dominated the managerial level of your company? What is the reason? 您企业的管理层是否多数是男性？为什么会出现这样的情况？

18. How would you describe your attitude toward uncertainty? 您怎样评价您对"避免不确定性"的态度和取向？

19. How do you regard "Hierarchy"? Is it an important management tool in your enterprise? How do you regard your management style? (Tough, Corporative or leadership) 您怎样评价"阶级制度"？你是否认为"阶级制度"是一个重要的管理工具？另外，您怎样评价自己的管理方式 (权威型？协商型？领导型等)

20. What is your opinion toward your staff in terms of “self motivation”, “long-term mindset”? (Can they do well for their own work without supervision, and do they willing to commit the enterprise?) 您如何看待员工的“自发性”和“忠实度” 的？（他们能否在毫无监督的情况下做好自己的工作？他们愿意对企业负责吗？）

21. Can you list out any Government policy which is related to entrepreneurial business and the industry you are participating? Do these policies influence your decision making? 请列举一些与您的企业行为和商业活动相关的政府措施。这些政策是否会影响企业决策？
22. Do you think government’s policy enhanced / distorted your entrepreneurial innovation? If so, how? 您是否认为政府措施会影响（支持/改变）企业的创新能力？如果是的话，如何影响？

23. Have you ever received any support from the government? (such as financial support, advices etc.) 您的企业有没有接受过政府的扶持帮助（比如财政支持，或是宏观建议）？

24. Does the government announce any formal or informal discourse (expectation) on enterprise which has the influence to the way you run the business? 当地政府有没有发布过一些文件、条例或者讲话（正式或非正式的），影响企业的运作方式？

25. Entrepreneurship, Government Policy and National Culture, which one do you think has the greatest influence toward the way you operate your business? Which one has the least influence? 您认为企业创新、政府措施和文化这三个因素，哪一个对企业的经营运作影响最大，哪一个影响最小？

26. Before we come to an end of the interview, do you have any supplements? 在访问结束前，您还有说话要补充吗？

_That’s the end of the interview_

---

**Notes for Interviewer**

<table>
<thead>
<tr>
<th>Name of interviewee:</th>
<th>Position:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date:</th>
<th>Time:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Duration:</th>
<th>Venus:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Remarks:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>