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edited by Thomas Menkhoff and Solvay Gerke

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# CHINESE ENTREPRENEURSHIP AND ASIAN BUSINESS NETWORKS

This volume examines the business behavior of ethnic Chinese entrepreneurs in the People's Republic of China, Vietnam, Malaysia, Singapore, Indonesia and Australia whose business acumen and network connections (*guanxi*) have aroused great admiration and sometimes envy and discomfort. The book tries to dispel some of the (culturally biased) misperceptions about the business conduct of the ethnic Chinese in East and Southeast Asia such as their homogeneity, tribal image and socioeconomic exclusivity, the idea of Greater China as an exclusive, transnational Chinese business circle both within and outside China etc. It also illustrates the challenges, which the rapidly progressing integration of East and Southeast Asia's market cultures into the global market system pose, for ethnic Chinese entrepreneurs, their family businesses, conglomerates and network ties.

The contributors comprise sociologists, anthropologists, political scientists, economists and geographers from Germany, Denmark, the Netherlands, the United Kingdom, Singapore, Malaysia, Australia and the USA – all leading scholars on ethnic entrepreneurship, the Chinese overseas and Chinese (business) affairs in East and Southeast Asia. Most of the case studies are based on solid, indepth empirical research and will prove extremely useful for anyone wishing to understand what makes Chinese network capitalism tick and why it will continue to be a critical force of Asia's great transformation.

Due to its reflective agenda and multi-disciplinary approach, this book will be essential reading for those interested in East and Southeast Asia, development studies, Chinese (ethnic) entrepreneurship, business networks, management as well as socioeconomic change.

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# PREFACE

While trying to understand an object of inquiry be it a person, an ethnic group, a community or, in the case of this book, a Chinese business network, the social scientist typically begins by looking inside the object to discover its essence and then attributes its conduct, an outside manifestation visible to the observer, to such essence. We understand the externals by probing the internals – thus the strain, for example, to attribute Chinese entrepreneurship and business success (and, recently, failure) to culture, the so-called "supply side" of ethnic entrepreneurship (Chan Kwok-bun and Ong Jiu Hui 1999), be it ethnic solidarity, cultural values, ethnicity, and so on. In the field of Chinese immigrant entrepreneurship and business networks, this emphasis on culture is not without its critics. Two recent books, one in 2001 edited by Edmund Terence Gomez and Michael Hsiao Hsin-Huang (2001), and the other by myself in 2000 (2000), attempt a theoretical corrective of this emphasis on culture by advocating an added sensitivity to structure and context, the so-called "demand side" of ethnic business. Such a corrective, not surprisingly, proceeds by identifying the many myths and misconceptions of Chinese business networks in specific and Chinese immigrant entrepreneurship in general – and de-constructs them, piece by piece. The field is now in what Liu Hong (forthcoming) calls a "revisionist" mood – that of deconstruction, de-mystification, or de-glamorization of a "romance of ethnic Chinese business," if there is such a thing. The present volume edited by Thomas Menkhoff and Solvay Gerke joins the camp of the revisionists. This itself excites the field – a true witness to science being cumulative, self-reflexive and self-corrective.

Rarely a cultural or a structural explanation of any social object suffices by itself. In fact, Waldinger way back in 1984, some eighteen years ago, put forward an *interactive* explanation based on a series of industry case studies in New York – an outgrowth of a desire to integrate or fuse culture with structure, ethnic resources with opportunity structure, "supply" with "demand." In this approach, the demand for ethnic business and the supply of skills and resources *interact to produce* ethnic entrepreneurship, thus pointing to the artificiality of an either/or explanation of whether culture or structure shapes the trajectory of economic achievement. From the viewpoint of the process and history, culture and structure are often in a continuous dialectical interplay, thus nullifying any

attempt to make a sharp division between the two. History articulates the dialectics of culture and structure. Without over-emphasizing it, there is a need to learn to think about the whole field dialectically. Of course, such a view is not new. It is a throwback to Yancey's (1976) idea of "emergent ethnicity." Ethnicity, if indeed useful to business, is typically "manufactured" in the host society rather than imported wholesale from the place of departure. Culture and, for that matter, identity, is rarely transplanted as is, but rather reproduced and produced, deconstructed and constructed, in exploitation of structural advantages as well as in adaptation to contextual constraints. Identity is often identity in context, *in situation*. Identity is about adaptation. Indeed, again thinking dialectically, we are better off focusing our analytical gaze at the exterior conduct of Chinese enterprises while doing their business in full view of the social milieu. In other words, their strategies as business conduct, or as what Giddens (1976) calls the "dialectic of control." This gaze at the exteriors has the promise of liberating us from the "black box of culture." At the very least, culture should be seen as a small culture, a much trimmed down fellow. Emergent immigrant culture is culture adapted. Dialectical thinking requires the researcher to be concerned with doing, not being. Ethnic entrepreneurship should always be seen as a social, collective response to structural constraints. Metaphorically, Chinese entrepreneurship is like a "toolbox," ever resourceful, always replenishing itself – one pulls out a tool depending on the requirements of the situation, but without necessarily abandoning the other tools.

Two things characterize the ethnic Chinese overseas: their subjection to discrimination and their over-representation (relative to the local people in the place of destination) in self-employment and entrepreneurship. There is in fact a good empirical literature that attempts to link the two phenomena. Among other things, in the future one may want to approach studies of Chinese business networks by *bringing back* into mainstream social science, research: on prejudice and discrimination, which has a rather long history in sociology and psychology; on economic sociology, which is relatively new; and, perhaps most significantly, on the sociology and psychology of race and ethnic relations – where there is an abundance of deep social theory as well as creative methodology. For example, the daily dilemmas of the Chinese in Southeast Asia do remind us of Georg Simmel's (1908) "stranger?" So close, yet so far away. The unity of nearness and farness, social distance and intimacy, is organized within the existential condition of Georg Simmel's stranger or Robert Park's (1928) marginal man. It is no wonder the ethnic Chinese entrepreneur is liked and disliked at the same time. This position of ambivalence is the Chinese's weakness as well as their strength, their fate as well as their choice, a deep paradox indeed. The point stressed here is to be diligent in avoiding the marginalization of research on Chinese business networks. Much is to be gained by returning to social theory and using theory actively. This book by Thomas Menkhoff and Solvay Gerke serves as a timely reminder.

The mood of a field of studies can often be detected by the language used. If we were to move away from a cultural bias that typically looks inward and backward, we must be careful in our usage of such words as bounded community

solidarity, ethnic enclave or ghetto, family loyalty, or ethnicity, identity and race as understood conventionally. To put it graphically, the field perhaps requires an "opening out" and "opening up." Our gaze should be at the external character of the Chinese business networks and their modes of transactions and interactions with the milieu. In other words, the exterior conduct of commerce. Once we start doing this, we may begin to realize that the logic of commerce, Chinese or not, dictates a sharp sensitivity to the other, the non-Chinese, the larger, much larger social world out there beyond the narrow confines of family, clan, lineage, ethnic group, community, or what the journalists call "tribes." Reality is where attention is drawn, the social psychologist has long been told. This is particularly so in a rapidly globalized world where transnationality prevails. Chinese entrepreneurs are quickly becoming a significant force of social change, inside and outside China. The conduct of a Chinese merchant in terms of his integration into society is what really matters. As it happens, the many myths and misconceptions of Chinese businesses will begin to fall, one by one. And the field will then confidently move through the phase of deconstruction, and into that of integration.

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