

Chinese Entrepreneurship in a Global Era

Edited by
Raymond Sin-Kwok Wong

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Preface and acknowledgments

Though my particular research interests in Chinese entrepreneurship date only to the late 1990s, I have long been interested in economic development in East Asia, for both personal and academic reasons. Like many other researchers who grew up and received education in the region during the second half of the twentieth century, I was drawn by the phenomenal achievement of many Asian economies in the past few decades. The entry of communist China into the global economic arena in the late 1970s and its meteoric rise in economic power has been particularly captivating, not least for its impact on the economic and political future of not only the region, but also our closely interconnected world under global capitalism. An informed understanding of economic development in the region, I believe, will help us assess the region's past and future success and, for better or worse, the continual transformation of global capitalism.

The importance of Chinese entrepreneurs in the economic development of East Asia is a well rehearsed argument. In trying to extend our knowledge on the subject of Chinese entrepreneurship, I was struck by a rather unfortunate tendency among academic researchers to echo, rather than critically examine, the stereotypical notions perpetrated in the mass media that the region's success is largely due to entrepreneurship cultivated by *unique* Chinese cultural heritage, traits, and/or practices. Much of the region's economic success is undoubtedly attributable to the hard working and diligent peoples in its lands. Yet, diligence and tenacity are hardly the unique cultural traits of Asians or any particular ethnic group. Equally problematic is the reactive stance that emphasizes the negative or dark side of Chinese culture or Confucianism, and blames this for inherent failures in Asian economies, particularly during the Asian economic crisis in 1997. To me, such contradictory claims represent an *essentialized* and distorted understanding of Chinese culture and cultural influences on economic practices. They shortcircuit scholarly examination of the economic vitalities and vulnerabilities of the region, and obfuscate our understanding of entrepreneurial activities and their functioning in larger social and economic contexts. I was particularly concerned that the neglect of changes in the global economic system (in terms of the pace and the spread of technological development,

movement of capital and labor, and dissemination of Western organizational practices) would forestall the recognition of changes and transformations in Chinese entrepreneurship over time.

Harboring such misgivings about prevalent views on the subject, I was fortunate to participate in a Taipei conference organized by Michael Hsiao and Terence Edmund Gomez in 2001, where I voiced my reservations. I was initially apprehensive of the reception of my arguments and empirical findings, which contradicted and challenged conventional wisdom on Chinese enterprises and entrepreneurship. To my delight, I found a group of like-minded scholars who share a similar skepticism and dissatisfaction. It is perhaps not coincidental that we are all scholars born and educated in the region during the postwar period. The encounter encouraged me to further my investigation of the subject. With support from the Pacific Rim Research Program of the University of California, I later organized a conference in Hong Kong to explore the possibility of a new breed of Chinese entrepreneurs in the making and to examine the conditions under which Chinese entrepreneurs operate today. Many of the papers presented at that conference are collected in the present volume.

To the participants of the two conferences, I am grateful for insightful and stimulating exchanges. To the Pacific Rim Research Program of the University of California, the Institute of Social, Behavioral, and Economic Research (ISBER) at the University of California–Santa Barbara, the Academic Senate of the University of California–Santa Barbara, the National Science Foundation, the Fulbright Scholar Program, and the Hong Kong University of Science and Technology, I am thankful for their research support. Without their generous support, many of my ideas on Chinese entrepreneurship would never have been developed and tested. Finally, my heartfelt thanks to my wife, Ming-Yan Lai, whose unconditional support and encouragement has helped renew my passion and energies to work on this project. Last but not least, I would like to thank my son, Hanwey, for his patience and understanding during the preparation of this book, and the fun and joy that he brings into my life.

Raymond Wong
Santa Barbara, California
November 2007

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Part I

Introduction

1 A new breed of Chinese entrepreneurs?

Critical reflections

Raymond Sin-Kwok Wong

As we enter a new millennium, it is apparent that the center of world economic activities, at least in terms of manufacturing, has shifted eastward from the United States and Europe to China and its neighboring countries throughout East and Southeast Asia (Dicken 2003; Sklair 1999). Although Western countries continue to dominate the world economy and financial markets, the capital markets of Hong Kong, Singapore, and, to a lesser extent, Shanghai and Shenzhen have matured considerably and are eager to become major global players in the foreseeable future. For instance, the dual listing of the Industrial and Commercial Bank of China (ICBC) in Hong Kong and Shanghai in October 2006, valued at about US\$21.9 billion, represents the world's largest IPO ever and easily surpasses the US\$18.4 billion raised by Japan's NTT Docomo in 1998. In fact, buoyed by several major offerings from companies in China, including the Bank of China, Hong Kong has surpassed New York and rivals London as the world's biggest market for initial public stock offerings in 2006, clearly indicating China's growing significance in international finance.¹ While much of the Asian economic ascendance became notable only after China entered the global economic scene in the 1980s, the trend can be traced back at least a decade earlier when the Four Little Dragons (Hong Kong, Singapore, South Korea, and Taiwan) became world manufacturers and exporters.

Because business owners in East Asia are predominantly of Chinese descent or under Chinese cultural influence (as in the case of the Republic of Korea), the economic vitality of the region has been conveniently credited to the adaptability, flexibility, and ingenuity of Chinese entrepreneurship nurtured by a particular (Confucian) cultural heritage. Indeed, the prominence of Chinese entrepreneurs in the global economic market received so much media coverage that the contribution of Chinese culture or the Chinese way of conducting business to economic development and success has become almost common sense. Ironically, such faith in Chinese culture belies the fact that for almost three quarters of the last century, virtually the same cultural arguments have been used to account for the economic backwardness of China and its neighbors (Dirlik 1995). Even more telling is the dramatic about-face during the recent Asian economic crises. Just as the hype of Chinese influence reached

a zenith, the burst of economic crises in the summer of 1997 – first in Thailand, then spreading like wildfire to nearby countries Malaysia, Indonesia, Hong Kong, Taiwan, and the Republic of Korea – triggered a chorus of blame on “Chinese culture” for fostering and breeding cronyism as well as the overzealousness, excessive exuberance, and irrationality in speculative investments that brought about the crises. Indeed, we have come full circle in assessing the role of Chinese (Confucian) culture in economic development or the lack thereof. The fact that the same national/ethnic culture has been used in different times to account for both economic failures and successes calls attention to the inherent inadequacy of the cultural argument and the need for sociological inquiries into the “social constructiveness” of the subject matter.

New bottle, old wine?

Sociologically speaking, without an adequate explanation of *how* and *why* Chinese culture under different social, economic, and political environments can inhibit or foster entrepreneurship, the cultural and/or any other actor-centered arguments will always have limited explanatory power. Culture does not and cannot exist in a social vacuum. Rather, it reflects embedded social and structural relationships that bind or circumscribe the behaviors of social and economic actors (Berger and Luckmann 1966; Granovetter 1985). Therefore, culture *per se* does not determine economic behaviors. Cultural effects are mediated through the social and economic environment where business entrepreneurs find themselves situated. Without taking the larger socioeconomic contexts into account, the claims of cultural determination will simply be a non-reflective rehash of old cliché that lacks scientific clarity and validity. Thus, instead of debating whether cultural explanations are unscientific, essentialist, and perhaps even calculative manipulations by the media and politicians, it is more productive to probe into and scrutinize the social construction of “Chinese entrepreneurs.”

Indeed, given the tremendous changes in the global, regional, and local environments in which Chinese entrepreneurs operate their businesses in recent years, there is an urgent need to update our understanding of this social construct and explore whether a “new breed of Chinese entrepreneurs” has developed in response to these changes. In other words, our understanding of contemporary Chinese entrepreneurship should no longer be based solely on the traditional *actor-centered* approach that emphasizes the importance of Chinese family business networks (which no doubt would continue to be functional in modern settings), but rather focus on the complex and intricate interrelations between individual entrepreneurs and their rapidly changing environment and the transformation thereof. Of course, to identify something as new, we must demonstrate how the present development is *different* from the past.

There is, however, no consensus yet on what constitutes the “changed” environments in which Chinese entrepreneurs operate. Disregarding those

who take a relatively static stance and refuse to recognize any new development, there are currently two competing views on this particular matter. One emphasizes some fundamental alterations in the way businesses are organized and conducted today. The other takes an incremental view that stresses a high degree of continuity and the sustained importance of traditional (cultural) factors under the new environment. As cogently argued in the following chapter by Yeung, the incremental view highlights the blending of the old and the new in the formation of *hybrid capitalism*, which underscores an incomplete, partial, and contingent *ongoing* transformation in an evolving set of capitalist norms, institutions, and structures.

In view of these competing understandings, the present edited volume seeks to offer a wide-ranging exploration and evaluation of Chinese entrepreneurship in contemporary Asian contexts. Through a collection and juxtaposition of various case studies, we also try to illuminate whether and how a new breed of Chinese entrepreneurs has indeed been formed and is in operation, or is still in the making, or yet simply an exaggeration. Together, the eight following chapters offer both theoretical discussion and empirical examination of the formation of “new Chinese entrepreneurs.” While the book does not offer any definitive conclusion, the empirical evidence assembled provides rich materials to enhance our understanding and stimulate further exploration of the subject matter.

The book is divided into three parts, Part I being this introduction. Part II consists of three chapters that give theoretical and empirical overviews of the environment and operation of Chinese entrepreneurship and observable changes over time. As mentioned earlier, Yeung’s chapter (Chapter 2) attempts to map out the changing dynamics of Chinese capitalism in relation to globalization and how these changes and transformations led to the emergence of “hybrid capitalism” and a new breed of Chinese entrepreneurs. While still maintaining the continuing significance of Chinese culture, Yeung nonetheless asserts that there are indeed fundamental changes in the ways Chinese owners organize their entrepreneurial activities under globalization. Because of the new development, Chinese entrepreneurs are no longer bound by an enclosed community like their predecessors. On the other hand, Long and Han adopt the neo-institutional economic framework to explore in Chapter 3 how Chinese entrepreneurs in the past failed to behave similarly as their Western counterparts because of a lack of institutional support that enhances socialized transactions rather than inherent cultural predispositions. This suggests the possibility of change over time that Wong documents in Chapter 4 with an empirical investigation of the historical changes of Chinese entrepreneurship in Hong Kong. Using data from several micro-censuses in Hong Kong, the results from Wong demonstrate that not only has the range of economic activities expanded, but there are also fundamental changes in the composition of business entrepreneurs that mirror fundamental demographic changes in the general population.