

Chinese Culture and Its Potential Influence on Entrepreneurship

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Abstract

As an important economic activity, entrepreneurship greatly contributes to economic development. This paper aims to investigate the relationship between Chinese culture and entrepreneurship. From a psychocultural perspective, Chinese culture is considered from the following five aspects – self-construal, self-evaluation, communication style, public attitude toward business failure, and the legal and ethical climate. This study suggests that some of the typical Chinese personality traits are inconsistent with those of a successful entrepreneur, and certain aspects of Chinese sociocultural factors are unfavorable for entrepreneurship. Nonetheless, Chinese culture has some advantages in boosting entrepreneurship, which can partly interpret why many overseas Chinese have achieved phenomenal success in entrepreneurial activities.

Keywords: Chinese, culture, collectivism, entrepreneurship, personality trait

1. Introduction

Entrepreneurs refer to those who start businesses and thus take the psychological and financial risks of creating new ventures (Holt, 1997) (Note 1); comparatively, entrepreneurship is an elusive concept, difficult to define and measure (Organization for Economic Co-operation and Development [OECD], 2004). According to the European Commission (2003), entrepreneurship is first and foremost a mindset, and consequently a “process to create and develop economic activity” featured by “risk-taking, creativity, and/or innovation with sound management” (p. 6). Narrowly speaking, entrepreneurship may denote “a small business undertaking” (OECD, 2004, p. 9).

Despite its elusiveness in academic sense, entrepreneurship is increasingly important for the prosperity of an economy due to the speedy changes of technology and society. Although large corporations still play a crucial role in economic growth, small and medium-sized enterprises (SMEs) usually contribute more to employment (OECD, 2004, 2005; Quadrini, 2009), which is the primary manifestation of entrepreneurial significance. Moreover, in the high-tech industries, more and more established corporations originate from mini-businesses, such as Google and Facebook, whose success was substantially based on their founders' extraordinary entrepreneurship. Further, active entrepreneurship can make an economy malleable, restrain monopolies, and maximize the potential of humans' innovation and creativity, which are important sources of technological advances and economic development (OECD, 2004, 2005; Schumpeter, 1942). Therefore, in the late 20th and early 21st centuries, close attention was paid to entrepreneurship by the governments of many countries, and policies promoting it were adopted (Dennis, 2011; OECD, 2005).

Research on entrepreneurship can be traced back to the seminal work of Joseph Schumpeter, published in 1934 (Bann, 2007), and the majority of early studies lied in the discipline of economics (Montanye, 2006). However, other social scientists later became interested in the issue. For example, recently, historians, psychologists, and anthropologists examined how different institutions and cultural values affect entrepreneurial outcomes, what are the typical personality traits of an entrepreneur, and whether there are gender differences in entrepreneurship (Brandstätter, 2011; Chell, Haworth, & Brearley, 1991; Holt, 1997; Oxfeld, 1992; Pedersen, 1988; Shivani, Mukherjee, & Sharan, 2006; Snavely, Miassoedov, & McNeilly, 1998).

2. Entrepreneurial Research from a Cultural Perspective

Culture is progressively acknowledged as an important factor contributing to promote or inhibit entrepreneurship in a society (OECD, 2004). Hence, the influence of culture on entrepreneurship is a topic that researchers have been interested in, with both national and regional, as well as organizational cultures under investigation (George & Zahra, 2002). Culture is a concept with multiple facets (Geertz, 1973), but in essence, it refers to the shared

and enduring set of values, beliefs, and attitudes in a nation, region, or organization (George & Zahra, 2002; Hayton, George, & Zahra, 2002; Hofstede, 2001). This paper concentrates on the level of national culture (Note 2), and inquires into the influence that national cultures exert over entrepreneurship.

Researchers have studied the characteristics of entrepreneurs from different cultures, in contrast with those of non-entrepreneurs; results suggest that entrepreneurs have much in common, regardless of culture. For instance, McGrath and MacMilla (1992) surveyed over 700 entrepreneurs in nine countries, and found that they had some common traits, such as being innovative, proactive, and aggressive. Likewise, McGrath, MacMillan, and Scheinberg (1992) analyzed responses from 1,217 entrepreneurs and 1,206 non-entrepreneurs in eight countries, and found that the two groups differed consistently, independent of culture, in terms of some important attitudes they held. It seems that entrepreneurs are “outliers” of a culture, and they emerge because they are extraordinary. Thus, some psychologists make efforts to seek culture-neutral personality traits of entrepreneurs. For example, according to Brandstätter (2011), a typical entrepreneur has the following five characteristics: “initiating a life of self-determination and independence, finding new opportunities and ways of structuring and developing the enterprise, (being) hard-working and persistent in goal striving, establishing a social network, and taking the risk of failure” (p. 223).

The aforementioned findings have their merits. However, it should be noted that successful entrepreneurs must be both “willing” and “able” to be engaged in entrepreneurial activities. Entrepreneurs themselves might be outliers, but they have to work in a context shared with others. Therefore, it is impossible for them to be immune to the culture. Moreover, entrepreneurs have developed in a particular culture, and they are more or less shaped by the unique features of the culture. Accordingly, it is necessary to investigate the relationship between national culture and entrepreneurship. As such, I introduce some typical cross-cultural entrepreneurial studies as follows.

Hofstede’s (1980, 2001) theory of cultural dimensions provides a good taxonomy to differentiate national cultures in terms of people’s values and behavioral preferences, especially in business organizations. Therefore, the theory is often employed in cross-cultural research on entrepreneurship (Hayton et al., 2002). Recently, Hofstede updated his theory; thus far, he and his colleagues have recognized six cultural dimensions – *power distance*, *uncertainty avoidance*, *individualism vs. collectivism*, *masculinity vs. femininity*, *long-term vs. short-term orientation*, and *indulgence vs. restraint* (Hofstede, Hofstede, & Minkov, 2010); the first four dimensions are frequently studied in the literature on entrepreneurship (Hayton et al., 2002). Researchers have repeatedly hypothesized that cultures facilitating entrepreneurship score high in individualism, low in uncertainty avoidance, low in power distance, and high in masculinity (Hayton et al., 2002). Shane’s (1992) study partly corroborated the hypotheses, suggesting that the degree of individualism is positively correlated, and that of power distance negatively correlated with the national innovation rate, an indicator closely associated with entrepreneurship.

Besides employing Hofstede’s theory, investigators have also explored the relationship between entrepreneurship and cultural values and beliefs with regard to such dimensions as the need for achievement, the need for autonomy, and self-efficacy. For instance, Shane, Kolvereid, and Westhead’s (1991) study indicates that the following four dimensions underlie starting a new business: recognition of achievement, independence from others, learning and development, and roles; emphasis placed on each of the underlying dimensions varies systematically across countries. Moreover, researchers have compared responses of individuals from different countries regarding perceptions of traits that are supposedly associated with entrepreneurial motivation. For example, Thomas and Mueller (2000) inquired into people’s perceptions of entrepreneurs’ four traits – innovativeness, locus of control, risk-taking propensity, and energy level. Results suggest that, consistent with McGrath and MacMilla (1992), no cultural difference exists concerning perceptions of entrepreneurs’ innovativeness, whereas there are significant variances with respect to the other three traits.

A large-scale survey about public attitudes towards entrepreneurship was conducted in 2009 by Flash Eurobarometer (2009), the Gallup Organization, which covered 36 countries, including 27 Europe Union (EU) member states, the U.S., and three Asian countries – China, Japan, and South Korea. The survey collected a wide range of data regarding public attitudes over such issues as entrepreneurial careers, entrepreneurial education, risk-taking, and business failure. Some interesting findings arose. For instance, entrepreneurs had a better image in the U.S. than in the EU and China. American respondents were more likely than their EU and Chinese counterparts to say that they were risk-takers and liked competition. Additionally, entrepreneurs were rated favorably, compared to other professional classes, by 40%, 49%, and 73% of Chinese, EU, and the U.S. respondents, respectively. Such public attitudes shape an “entrepreneurial culture,” which plays a crucial role in such things as people’s entrepreneurial career preference; tendency to provide support for business start-ups

initiated by family members, relatives, or friends; and tolerance for venture failure.

3. Chinese Culture and Entrepreneurship

China is one of the largest economies in the world, and entrepreneurship has greatly contributed to China's economic development in recent decades (Poutziouris, Wang, & Chan, 2002; Zapalska & Edwards, 2001). In addition, there is a sizable Chinese diaspora all over the world, and overseas Chinese, particularly those in Southeast Asia, have a reputation of excelling in entrepreneurial activities, which, in general, have been phenomenally successful. For instance, in The Philippines, ethnic Chinese account for only 1% of its population, but they control some 40% of its economy; in Malaysia, the two numbers are about 1/3 and 2/3 respectively; in Indonesia, 4% of the population are ethnic Chinese, who control proximately 50% of the domestic business activities in the country (Poutziouris et al., 2002). These figures are compelling evidence of extraordinary Chinese entrepreneurship.

With an ethnically diverse population living in a large territory and a widely dispersed diaspora across the world, China admittedly has a culture varying geographically. Some Chinese core cultural values and beliefs, nevertheless, travel well. Interestingly, according to some researchers, Confucianism (Note 3), the cultural cornerstone in all Chinese communities worldwide, is fundamentally hostile to entrepreneurship, mainly because Confucianism traditionally disparages merchants, and stresses rote learning and learning for careers in government bureaucracies (Lam, Paltiel, & Shannon, 1994; Liao & Sohmen, 2001; Weber, 1964). This argument apparently contradicts the observations of overseas Chinese entrepreneurial performance mentioned above. Such contradiction is suggestive of the complex relationship between Chinese culture and entrepreneurship, and has given rise to the interest of researchers in it, who make efforts to unveil the truth about the relationship.

Some investigators employ a comparative approach in studying the relationship. For instance, Holt (1997) compared the values held by Chinese and U.S. entrepreneurs with respect to individualism, openness-to-change, and self-enhancement, and found no significant differences between the two groups, yet Chinese entrepreneurs were more likely to stress family security, avoid conspicuous wealth, and refrain from outward recognition of achievements than were their American counterparts. Tan (2002) also focused on Chinese and American cultures, examining entrepreneurs' and non-entrepreneurial managers' attitudes toward risk-taking, as well as their long-term orientation, innovativeness, proactiveness, and aggressiveness. Consistent with McGrath and MacMilla (1992), Tan found some culture-general entrepreneurial traits – being innovative, proactive, and aggressive; in addition, Tan concluded that mainland Chinese entrepreneurs were less willing to make future-oriented commitments, and more willing to take risks than their American counterparts.

Besides the aforementioned cross-cultural studies, other researchers have concentrated on Chinese culture particularly and discussed its effects on entrepreneurship in China or overseas Chinese communities (e.g., Chan, 1997; Liao & Sohmen, 2001; Poutziouris et al., 2002; Zapalska & Edwards, 2001). However, as for Chinese cultural characteristics, the studies in those literatures are non-detailed. For example, Poutziouris et al. (2002) roughly discussed three key features of the traditional Chinese culture stressed by overseas Chinese people: paternalism, the unique personal system, and xenophobia; Zapalska & Edwards (2001) sketchily listed four major imprints of Chinese culture: familism, collectivism, hierarchy, and placing emphasis on being hard-working. In my view, such investigation should be furthered and conducted in a thorough fashion.

Culture is a malleable concept; it is difficult to tell what should or should not be included in the scope of culture. As for cross-cultural research, the previously mentioned Hofstede's (1980, 2001) model, despite controversies (Baskerville, 2003; McSweeney, 2002), has provided a considerably useful framework. However, when it comes to an idiosyncratic culture or a specific issue to analyze, perspectives other than those in Hofstede's paradigm may be more applicable. In this paper, I focus on three cultural dimensions – self, interaction of self and others, and social environment. First, entrepreneurship is a process during which both personal striving and the supporting social network play crucial roles (Brandstätter, 2010). Thus, "self in the social/cultural context" is a pivotal factor impacting on entrepreneurial activities. As such, I will analyze "self" and "self-esteem" in Chinese culture, which are quite different from those depicted by mainstream Western psychologists. Second, individuals' self-construals correspondingly determine their interaction/communication styles, which are an important cultural dimension documented by anthropologists (e.g., Hall, 1976). Third, as a collectivistic society, the behaviors of Chinese people are considerably shaped by the social environment, and those of entrepreneurs are no exception. In this regard, I will analyze the public's attitude over business failure and the legal and ethical climate.

Specifically, the three cultural dimensions can be translated into five points – self-construal, self-evaluation,

communication style, public attitude toward business failure, and the legal and ethical climate – whose potential positive or negative influences on entrepreneurship will be assessed in the following sections. As mentioned earlier, Chinese culture is not homogenous geographically, but Chinese people living across the world share some common values and beliefs, which I will focus on in the analyses below. Nevertheless, in some subsections, special attention is paid to the situation in mainland China due to its salience.

4. Self-construal: Interdependent Self and Family Self

Markus and Kitayama (1991) argue that people in different cultures have greatly different views of self, of others, and of the relationship between the two, which give rise to the diverse nature of cognition, emotion, and motivation. Unlike typical American people who highly value their independence from others, many Asians place emphasis on the fundamental relatedness of individuals to each other. The “self” concept within a Chinese context is primarily an *interdependent self* (distinguished from an *independent self*), because Chinese culture values loyalty and piety to superiors, including parents, employers, and government officials (Liu, 1986). Parents are particularly important, and thus Yu (1996) regarded Chinese self as a *family self*. Familism is an essential feature of Chinese culture (Wu & Tseng, 1985), which means that family interests are placed above those of individuals, of society, and of other groups within it (Lau, 1982). This cultural value has far-reaching implications for Chinese communities, manifested in the individuals’ suppressed need for autonomy, too much emphasis placed on emotional regulation, the great importance of social networks, and the prevalence of family businesses.

4.1 Suppressing the Need for Autonomy and Stifling Innovation

According to self-determination theory, autonomy is a fundamental human need, which refers to “the feeling of volition that can accompany any act” (Ryan & Deci, 2000, p. 74). However, in the Chinese cultural context, this need is often suppressed. As far as parenting is concerned, familism and people’s attitude toward filial piety result in more emphasis on strict discipline as well as socially desirable and culturally approved behavior (Wu & Tseng, 1985), and less emphasis on children’s expression of opinions, independence, self-mastery, creativity, and all-round personal development (Ho, 1986); children are discouraged from expressing ideas incompatible with the harmonious environment. As mentioned previously, proactiveness is probably a universal trait of entrepreneurs (McGrath & MacMilla, 1992). Chinese children, however, are not encouraged to be proactive. This cultural value is, therefore, unlikely to boost entrepreneurship.

The situation is similar in school education. According to Ryan and Deci (2000), students taught with a more controlling approach tend to lose initiative and learn less effectively. In China, students are usually pure receptors of teachers’ instruction. They seldom doubt what teachers have talked about, because suspicion implies disrespect (Chan, 1999). Lacking encouragement in critical thinking, children shaped in such an environment are less likely to propose questions, and conversely, they are accustomed to seeking answers from authorities. Consequently, after growing up, most of them are reluctant to choose risk-ridden entrepreneurial careers, in which they have to autonomously solve a wide range of problems that they are faced with. Given similar economic returns, they prefer stable and less-challenging vocations, such as being civil servants.

4.2 Emotional Regulation and Limited Cognitive Resources

According to Mesquita and Frijda’s (1992) cognitive model of emotions, the experience of emotion can be divided into seven different components, among which the last two – emotional behavior and regulation – are observable and thus salient. Emotional behavior refers to unplanned, explicit behavior, matching corresponding physiological reaction patterns, and regulation refers to controlling emotional behavior, including suppressing its negative factors and enhancing its positive ones. Mesquita and Frijda claimed that emotional behaviors can be self-regulated, and the regulation modes are subject to sociocultural norms and individual experience.

A Chinese saying encourages individuals to “express joy or anger without form or color.” There is evidence that the expression of emotions is carefully regulated by Chinese people in an effort to prevent it from perturbing group harmony or social hierarchies (Bond, 1993). From childhood, Chinese are educated to control emotions that are considered adverse or disruptive to harmonious social interaction (Wu & Tseng, 1985). Consequently, considerable cognitive resources of Chinese are occupied by the endeavors to regulate their own emotions and read others’ minds. As such, the cognitive resources left for innovative thinking are limited, which undermines Chinese potential for entrepreneurship. According to the analyses in this and the preceding subsections, I propose:

Proposition 1: A culture with an interdependent self-construal, which tends to suppress individuals' need for autonomy, and renders people overly concerned with harmony of the environment, is not conducive to entrepreneurship.

4.3 Importance of Social Networks (“Guanxi”)

With interdependent selves, Chinese are keen on building and maintaining social networks. As a popular saying goes, “Who you know is more important than what you know.” “Who you know” refers to “personal connections with the appropriate authorities or individuals” (Yeung & Tung, 1996, p. 54). Such connections repeatedly play a crucial role in achieving business success. Due to their extreme significance in Chinese culture, the Chinese word *guanxi* has increasingly been used directly in English to depict such connections. People in a *guanxi* network do each other favors in a reciprocal fashion. On many occasions, the favors are performed illegally or unethically.

Why are *guanxi* so important for Chinese? According to Redding (1990), first of all, in the traditional Chinese society, ordinary people, who are living close to the subsistence level, have a sense of insecurity, owing to the unpredictable officialdom's behavior. Through *guanxi*, they might obtain scarce resources or avoid distress, and gain peace of mind. Thus, it is basically a survival strategy to build and maintain personal connections. Furthermore, although their living conditions have greatly improved in recent decades, Chinese are accustomed to the traditional coping strategy – employing *guanxi*. Besides, the weak rule of law in mainland China makes people believe that lawyers and contracts do not necessarily work in the sphere of business and that institutions are not yet depersonalized. Therefore, “who you know” is still of importance.

Business is essentially carried out by people's interaction. Accordingly, social networks, in any culture, are pivotal for entrepreneurship (Brandstätter, 2011). Chinese, who are good at utilizing such networks, have a potential advantage in business ventures, which is considered one of the major reasons why overseas Chinese entrepreneurs in Southeast Asia have been noticeably successful (Australian Department of Foreign Affairs and Trade, 1995).

On the flip side of the issue, *guanxi* has frequently been used improperly in China, giving rise to pervasive nepotism, which renders many people zealous in seeking shortcuts to success, rather than working hard, and hence stifles entrepreneurship to a substantial extent. Therefore, I propose:

Proposition 2: A sound social network is indispensable for entrepreneurship, but the abuse of social networks undermines the entrepreneurial spirit.

4.4 Prevalence of Family Businesses

One consequence of predominant familism is the prevalence of family businesses in China and overseas Chinese communities. Currently, in mainland China, the majority of large enterprises are state-owned, which is the result of the communist revolution. However, a variety of family businesses have increasingly emerged. In overseas Chinese communities, businesses are predominantly family-owned; even the largest of them, albeit technically public corporations, have rarely become professionally managed bureaucracies, and are still heavily controlled, if not absolutely dominated, by families (Ahlmstrom, Young, Chan, & Bruton, 2004; Redding & Wong, 1986).

The family-based business structure has both pros and cons for entrepreneurship. On the one hand, it has two prominent advantages. Firstly, families provide financial support for start-up businesses, which is crucial for the success of business ventures, because newly founded small firms frequently have difficulty in establishing external financing. Secondly, the majority of managers in a business are family members or their close relatives who interact on the basis of mutual trust, which effectively reduces internal transaction costs (Australian Department of Foreign Affairs and Trade, 1995).

On the other hand, the family-based structure negatively affects the development of businesses in the following four respects (Chung & Yuen, 2003; Redding & Wong, 1986). First of all, it may restrain the size of businesses because the number of family members who can be trusted with responsibilities is limited. Second, it may result in nepotism. That is, mediocrities may occupy important positions just because they are relatives or friends of the business owners, whereas talented people are out of favor, which distorts the allocation of human resources. Third, paternalism may dominate decision-making processes, which is not conducive to the creation of innovative ideas. Last but not least, management succession is often a big problem when a family business has to be handed over from one generation to the next, which is repeatedly accompanied by family battles that jeopardize the sustainable development of the business (The Economist, 2011). Fan, Jian and Yeh (2008) examined 217 Chinese family firm succession cases from Hong Kong, Singapore, and Taiwan, and found that succession was typically associated with severe firm value dissipation. In summary, I propose the following:

Proposition 3: Chinese culture favors familism that results in the prevalence of family businesses, which has both positive and negative effects on entrepreneurship.

5. Self-evaluation

According to Kim, Peng, and Chiu (2008), East Asians have lower self-esteem than North Americans. However, they argued that the lower self-esteem scores could not be interpreted literally considering the unique cultural characteristics of East Asians. Chinese indeed have their distinctive self-evaluation approaches. They pay extremely close attention to self-images in others' eyes (*mianzi*), and hence are likely to stigmatize those with low socioeconomic status (SES); they are accustomed to being self-effacing; and they employ role model strategies that are not necessarily appropriate. I elaborate each of these points in turn as follows.

5.1 "Mianzi" (Face)

In China, the concept self-esteem is not so important as in the U.S. However, people care what their images are in others' eyes, which is called *mianzi* in Chinese. Although *mianzi* can be translated into *face* literally, this translation merely reflects its explicit meaning, ignoring its essence. The significance of *mianzi* for Chinese is actually consistent with their interdependent self-construal: How they estimate themselves is not that important, while others' perceptions of them are crucial (Lockett, 1988). Crocker and Park (2004) pointed out that the pursuit of self-esteem was costly. Likewise, maintaining a *mianzi* can consume much time and money. As a salient cultural feature, most Chinese would like to input considerable resources in impression management.

In this environment, the most convenient survival strategy is to follow the mainstream culture. It is a conservative strategy, because adopting the strategy will not enhance people's *mianzi*, but at least the strategy will not undermine it. Consequently, conformity behavior is prevalent, and the problem of groupthink is serious in most organizations, suppressing the creation of innovative ideas, and further weakening Chinese potential for entrepreneurship.

5.2 SES Stigma

In light of Hofstede et al. (2010), generally speaking, there are greater power distances in East Asian societies than in North American ones. Influenced by Confucianism, people in East Asian societies are used to a hierarchical ranking of authority in the family, as well as in educational and sociopolitical institutions (Ho, 1996). They hope to occupy their proper places; when unaware of the relative status of themselves and important others, they are uncomfortable, or even stressed (Markus & Kitayama, 1991).

In China, this hierarchical cultural value and the aforementioned *mianzi* view together foster a low SES social stigma, which is rather salient under some circumstances, such as on a university campus. With the advent of "knowledge economy," entrepreneurs are increasingly younger and highly educated, and hence university is inevitably the "cradle" of new-generation entrepreneurs. However, the existence of an SES stigma will undermine some students' potential for entrepreneurship. Low SES stigmatized students are usually very sensitive to their stigmas, and most of them strive to conceal their identities by conforming to their higher SES peers (Johnson, Richeson, & Finkel, 2011). For example, they may have higher levels of consumption than they would otherwise do, which is likely to enhance their *mianzi*. After all, in such a collectivistic culture, conformity, as a basic survival strategy, is very important for a typical Chinese person. As such, many would-be entrepreneurs have to devote substantial resources to concealing their low SES identities at the expense of capital accumulation and knowledge preparation. In addition, the stressed psychological state, arising from people's stigmatized identities, undermines innovative thinking that is vital for entrepreneurial activities, as Fredrickson (2001) found. Based on the above analyses, I propose:

Proposition 4: *Mianzi* culture fosters conformity, and is likely to discourage entrepreneurship.

5.3 Self-effacement

According to observations, when being praised, Americans usually say "Thank you," whereas Chinese say "No. You flatter me." Research findings suggest that modesty and humbleness are highly regarded in Chinese culture (e.g., Stipek, Weiner, & Li, 1989). Likewise, Yik, Bond, and Paulhus (1998) found that in general, Chinese engage in less self-enhancement than do North Americans. In other words, Chinese tend to rate themselves more negatively than their peers do. Hence, both anecdotal and empirical evidence are consistent with the stereotype of self-effacement among Chinese. Although modesty is a social norm for Chinese, their self-effacement probably leads to lower self-confidence, which is detrimental to successful entrepreneurship. After all, entrepreneurship is a hard process replete with various troubles. Thus, lower self-confidence is likely to result in the decision to give up; conversely, higher self-confidence bolsters persistence.

Nevertheless, some researchers argue that self-effacement has probably been one of the reasons why a large number of overseas Chinese entrepreneurs in Southeast Asia achieve success (Australian Department of Foreign Affairs and Trade, 1995). Most of them keep low profiles and avoid visibility, in an effort to preserve their wealth.

5.4 Role Model Strategies

There are two role-model parenting strategies – positive and negative. Positive role models refers to those who have achieved outstanding success, such as a star athlete, and are showcased for inspiring others to pursue similar excellence; conversely, negative role models are those who have experienced misfortune, such as a person seriously injured due to drunk driving, and are set as examples in the hope of motivating others to take necessary measures to avoid similar unpleasant results (Lockwood, Jordan, & Kunda, 2002). Lockwood et al.'s (2002) study suggests that promotion-focused individuals favor a strategy of pursuing desirable outcomes, and are more likely to be inspired by positive role models. In contrast, prevention-focused individuals favor a strategy of avoiding undesirable outcomes, and are more likely to be motivated by negative role models. According to Lockwood et al., the effectiveness of role model strategies rests on the goals people are attempting to achieve when the strategies are used, and specifically, goal-congruent role models increase people's motivation while goal-incongruent ones decrease it.

Anecdotal evidence suggests that most Chinese parents, who are generally recognized to put great emphasis on the achievement of their children (Ho, 1986), solely set positive role models for the children regardless of circumstances. This unitary strategy does not motivate the children effectively, but hurts their self-esteem in most situations. The problem is that Chinese parents rarely contrast children's current performance with that of their past. Such ignorance of their progress may lead to children's frustration. After all, when children make progress, they need affirmative responses from their parents. As such, if the parents push them further by upward comparisons, i.e., highlighting positive role models, the behavior contradicts the children's goals and consequently exerts ill effects on their motivation. When growing up, these children may have no effective self-discovery mechanism, and lack sufficient inner motivation, which are vital for entrepreneurship.

Nonetheless, if it is the children themselves, rather than their parents, who make the social comparisons, they will tend to employ appropriate role model strategies. Chung and Mallery's (1999) study suggests that people scoring high in collectivism are more likely to make social comparisons in general than those scoring high in individualism; specifically, the former group is more likely to make upward comparisons, and less likely to make downward comparisons. Thus, in terms of social comparison, people from collectivistic cultures, such as China, are potentially more achievement-oriented; this cultural trait may be advantageous to entrepreneurship. All in all, I propose the following:

Proposition 5: Chinese tend to self-efface and make upward social comparisons, which may or may not be conducive to entrepreneurship, depending on the strategies in place.

6. Communication Style

Anthropologist Hall (1976) has defined two kinds of communication styles – high-context (HC) and low-context (LC) communications. In a HC communication, most of the information is either in the physical context or internalized in the person, and very little is in the coded, explicit part of the message. A LC communication is just the opposite. Hall thought that the American culture is toward the LC end of the scale, whereas Chinese culture is on the HC end. Likewise, Gao, Ting-Toomey, and Gudykunst (1996) argued that, in Chinese culture, the primary purpose of communication is to maintain harmonious relationships among individuals and to reinforce role and status differences; for this purpose, Chinese culture emphasizes implicit communication, i.e., a nonverbal or indirect mode of communication. This communication style has the following two consequences in the business world.

6.1 Less Verbalized in Formal Settings

With an interpersonal mindset, Chinese people tend to suppress verbalization because they are overly concerned with the consequences of their speech (Kim, 2008). In school, students dislike responding to instructors' questions at class, and therefore, one-way communication is the normal state in a typical class of China. Accordingly, verbalization in formal settings is a burden for most Chinese students, since they lack appropriate training. This situation is unlikely to fundamentally change when they grow up, which results in a disadvantage if they choose entrepreneurial careers. After all, it is not uncommon for entrepreneurs to lead teamwork, solicit venture capital, and promote their products or services. As such, good verbalization skills are indispensable for them to complete those tasks.

6.2 Ineffective Formal Communication

In China, formal communication is repeatedly ineffective. For instance, formal meetings in organizations are often fruitless, and actually ritualized, because people are reluctant to share their real ideas lest they make somebody else unhappy (Gao et al., 1996). According to Wilson (1974), a Chinese individual's actual position on an issue is subordinated to his or her desire to protect the group's integrity, thus he or she tends to circumvent overt disagreement. Another empirical study suggests that Chinese shift towards the majority position more frequently than Americans (Meade & Barnard, 1973). For this reason, managers have to resort to informal channels, such as private conversations, to collect colleagues' real ideas, which inevitably increases transaction costs in business.

During the process of entrepreneurship, frequent meetings are inevitable because many decisions have to be made in this way. Particularly, brainstorming is an effective instrument to provoke innovative ideas, which occurs in formal meetings (Paulus & Brown, 2007). However, Chinese are unwilling to confront conflicts of opinions for the above mentioned reason (Gao et al., 1996), and thus few creative ideas are available in this approach. This will potentially undermine entrepreneurial performance. In a nutshell, as for Chinese communication style, I propose:

Proposition 6: Favoring implicit communication, while disfavoring verbalization and confrontation in formal settings, Chinese culture does not facilitate entrepreneurship.

7. Public Attitude toward Business Failure

The existence of risk indicates that failure is probable, and the probability of entrepreneurial failure is so high that people often regard this process as an adventure. According to Shane (2008), roughly 25% of start-up businesses fail in the first year and 55% fail within the first five years (p. 99). Meanwhile, many new businesses emerge; for example, in 2011, approximately 543,000 started up every month in the U.S. (Fairlie, 2012), among which quite a few were managed by those who had already failed in the past. In fact, on account of fierce competition and expedited technological advances, failure is out of a business's control on many occasions, and managers can frequently learn a lesson from the failing experience, which can help them achieve success in the future. In this sense, the society, as a whole, has to pay the cost of business failure that is worth paying in the long run. Hence, a tolerant climate is beneficial for entrepreneurial development.

On the contrary, if failure is regarded as a stigma for entrepreneurs, and they have to frequently conceal it, some, if not a large part, of their cognitive resources will be occupied, which may inhibit their innovative thinking to some extent. Conversely, disclosing stigmatized identities has several positive consequences, including greater cognitive resolution, increased relationship closeness, and decreased feelings of isolation (Quinn & Chaudoir, 2009). Further, if failure is not a stigma, the issue of revealing or concealing it will not exist.

The extent to which people tolerate business failure may vary from culture to culture. Damaraju, Barney, and Dess (2010) argued that, in general, collectivistic cultures were more failure intolerant than individualistic cultures, and anecdotal evidence bolstering this argument abounds. If the argument were corroborated by empirical research, Chinese collectivistic culture would not be conducive to entrepreneurship in this sense. As such, further investigation is needed. Herein, I propose:

Proposition 7: The public's attitude toward business failure is of great importance for entrepreneurship. A failure-tolerant environment encourages people to take prudent risks and thus boosts entrepreneurial performance.

8. The Legal and Ethical Climate

To some extent, the legal and ethical climate of a society is bounded by its culture. As mentioned earlier, Chinese culture favors a more implicit communication style. Likewise, implicit rules are popular in China, which makes this society somewhat arcane for outsiders. Moreover, China has a salient "shame" culture, which dominates the ways in which people make ethical and moral reasoning. Such a social environment has significant implications for entrepreneurs' choices and behaviors, which I elaborate as follows.

8.1 Implicit Rule-ridden Society

Aarts and Dijksterhuis (2003) examined the concept "situational norm," which, to some extent, is similar to another concept that Chinese often talk about – "implicit rule" or "unspoken rule" (*qianguize*). In China, a great number of code laws are unenforceable, and substantial explicit norms are ignored, whereas implicit rules prevail. The existence of situational norms means that people's normative behavior is not inflexible, but situationally adaptive. Consequently, pervasive implicit rules complicate the implementation of some explicit norms or

policies, grant the administration more discretion, and thus undermine the entrepreneurial environment, because the rights of entrepreneurs cannot be secured effectively.

According to Markus and Kitayama (1991), people with interdependent selves place emphasis upon attending to and fitting in with others. For Chinese people, harmony is indeed the primary consideration on most occasions, for which rules of the game can be flexibly adjusted. Hence, the Chinese society has traditionally been ruled by man, rather than by law (Jenco, 2010). In other words, a paramount leader, such as a monarch or a socialist dictator, and a group of bureaucrats have ruled Chinese society arbitrarily, unbounded by law. Although the current Chinese government has promised to implement the rule of law, stressing that governmental decisions are subject to the law, the situation cannot be changed overnight on account of the strong cultural “power.”

8.2 Short-term Oriented Business Behavior

Based on their studies with sizeable samples, Hofstede et al. (2010) found that East Asians are more long-term oriented than North Americans. When doing business, East Asians would like to establish good relationships with their partners before signing formal contracts, since they hope to do business continuously with them. Conversely, in North Americans’ view, “business is business.” They are less likely to wait for a long time before signing contracts. Additionally, unlike North Americans, East Asians are used to saving lots of money they have earned at the cost of current consumption, rather than spending money borrowed from financial institutions (Hofstede & Bond, 1988). By virtue of this tradition, East Asian societies are able to accumulate substantial capital for investment within a comparatively short period of time, which is helpful for economic growth during the process of industrialization (Stiglitz, 1996).

Ironically, in mainland China, the long-term orientated cultural value is overwhelmed by the current implicit rule-ridden situation. Murky rules of the game have made entrepreneurs unwilling to make long-term investment decisions lest their investment be in vain due to the release of new policies. In other words, business behaviors are more short-term oriented or speculative. Since innovation is frequently a time-consuming job, the short-term orientation is detrimental to the entrepreneurial spirit.

8.3 Few Ethical Considerations

Crandall (1988) argued that bad habits were socially contagious. The contagion effect is more powerful in a collectivistic society than in an individualistic society, since people with interdependent selves are more willing to conform to others. In recent decades, due to the skyrocketing market demand and the weak rule of law in China, many domestic firms that make a lot of money manufacturing fake or shoddy goods have not been punished, thus numerous other firms follow the practice. According to estimates, counterfeit goods represent about 15%-20% of all products made in China and account for approximately 8% of the Chinese gross domestic product (GDP) (U.S. Government Printing Office, 2006). In consequence, a large number of people actively seek a variety of short-cuts to getting rich with few ethical considerations.

According to Kitayama, Snibbe, Markus, and Suzuki (2004), there are cultural variations in cognitive dissonance and self-justification. The difference of self-justification may stem from the aforementioned two kinds of self concepts – independent self and interdependent self (Markus & Kitayama, 1991). Generally speaking, in collectivistic cultures, individual justification depends more on the attitudes of related others than on their own criteria for justice. Cultural anthropologists primarily use the concepts “shame society” and “guilt society” to differentiate two cultures (Benedict, 1946; Tangney & Dearing, 2002); the former refers to Eastern cultures such as Japan and China, and the latter Western cultures such as the U.S. For the typical Chinese, so long as there is no witness, they will not feel guilty (without cognitive dissonance) when they have done something wrong or unethical. Otherwise, they will feel ashamed on account of the possibility of being ostracized. For this reason, Chinese business owners or managers are likely to make fake or shoddy goods secretly with fewer ethical considerations than their American counterparts. Unfortunately, in the long run, such practice in China will undermine people’s perception of entrepreneurs and do harm to the development of entrepreneurship.

8.4 Imitation vs. Innovation

In the wake of rapid technological advances, innovations increasingly rely on intensive, expensive research and development (R&D). In this situation, imitation, relatively easy and cheap, is a good substitute for original innovation. Japanese entrepreneurs are good at imitation. Many industries developed in Japan after World War II, such as automobile and semiconductor manufacturing, have been based on sophisticated imitation, or imitative innovation (Okazaki, 2004). A similar innovation path has also been popular in Korea (Kim, 1997). The imitative behaviors prevalent in East Asian countries are probably related to their collectivistic culture, in which conformity prevails.

In China, the combination of the imitation strategy, the weak rule of law, and few ethical considerations has given rise to pervasive intellectual property infringement. As a consequence, both foreign and domestic patented products have been reproduced on a large scale without permission, which seriously attenuates the entrepreneurial motivation of the people who have capabilities to undertake real innovations. As such, on the basis of the discussions in this section, I propose below:

Proposition 8: Entrepreneurship may flourish in a society with rule of law, which protects real, ethical innovations.

9. Concluding Remarks

Does culture matter for entrepreneurship? Some argue that entrepreneurs are “outliers” of a culture, and therefore culture does not matter. However, entrepreneurship is a process in which an entrepreneur, the outlier, works with other non-outliers in an idiosyncratic cultural context. Moreover, an entrepreneurship-friendly culture is likely to nurture more such outliers. From these points of view, culture does matter. Thus far, our understanding about the role that culture plays in entrepreneurship is still limited and fragmented, although investigators have researched this issue for decades. After all, both of the concepts, *culture* and *entrepreneurship*, are not easy to define or measure. As for culture, its spatial and temporal variability renders the objects of cultural research controversial. For example, McSweeney (2002) cast doubt on the concept *national culture* due to prevalent subcultural heterogeneity, and thought that Hofstede’s cultural dimensions (1980, 2001) were to “measure the unmeasurable” (p. 90). Likewise, it is hard to operationalize the construct *entrepreneurship*. Accordingly, investigators use different indicators to measure the performance of entrepreneurship, such as innovation rates (Shane, 1992) and new firm formation rates (Davidsson, 1995).

China has one of the longest-lasting civilizations in the world. During the long-term process of development, Chinese culture has continuously been enriched or partly altered by a wide range of external factors, but some of its core features persist. In this essay, I have depicted a few characteristics of Chinese culture and discussed their possible consequences for entrepreneurship. Most of the arguments need substantiating (or repudiating) by future empirical findings. Nonetheless, this paper has its strengths in that it provides a useful framework for scrutinizing the main features of a culture in terms of its implications for entrepreneurship, and also in that it offers some specific propositions as regards such implications. Like other cultural studies, this piece has weaknesses as to the generalization of cultural characteristics. First of all, unlike national territories, cultures have ill-defined boundaries, and thus most findings with respect to cultural differences at the national level are vulnerable to criticisms about underrepresentation or overgeneralization. Second, cultures are not temporally invariable. In particular, recent decades have borne witness to great changes in many aspects of China, and culture is no exception. In this sense, cultural research is hard-pressed to keep pace with the times. Third, Chinese subcultural variation has not been considered due to its tremendous complication, which might greatly contribute to the palpable difference in entrepreneurial performance among different areas of China. Despite these limitations, this study has meaningful implications for better understanding the relationship between culture and entrepreneurship and for making appropriate policies to boost entrepreneurship.

According to the analyses in the previous five sections, Chinese culture has some advantages in enhancing entrepreneurship, such as family involvement and financial support, stressing the employment of social networks, and the achievement-oriented education. However, the disadvantages abound. Discouraging proactiveness and verbalization in formal settings, over-concern with others’ estimation of self-images, and over-dependence on implicit rules, to name a few, potentially restrain entrepreneurial and innovative activities.

Nevertheless, interestingly, overseas Chinese have attained exceptional achievements in entrepreneurship. This fact must be taken into account in investigation. If Chinese culture were not conducive to entrepreneurship, why could the sojourners deeply influenced by Chinese culture become successful entrepreneurs? If they were totally acculturated into the host societies that supposedly promoted entrepreneurship, why could the indigenous residents, who have grown up in those cultures, perform much worse than Chinese immigrants in general? To solve the puzzle, I think that two other features of Chinese culture must be considered – pragmatism and adaptiveness (Australian Department of Foreign Affairs and Trade, 1995; Redding, 1990). That is, Chinese are good at doing business in a pragmatic fashion, adapting to new environments. As such, overseas Chinese entrepreneurs might have integrated the beneficial elements of both their original and host cultures, which contribute to successful business ventures.

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Notes

Note 1. This definition stresses a salient feature of entrepreneurs – risk-taking propensity, but it limits the scope of entrepreneurship. Actually, entrepreneurial activities occur not only in start-up businesses, but also in established ones. In order to differentiate the two kinds of entrepreneurs, a new word was coined – intrapreneur, which refers to someone who behaves like an entrepreneur, but works in a large corporation (Macrae, 1982).

Nevertheless, to my knowledge, the word “intrapreneurship” is seldom used; in general, entrepreneurship includes innovative and risk-taking activities in both new and established enterprises, although more typical in small start-up enterprises. In this paper, I do not differentiate the two kinds of entrepreneurship, because the differentiation is not necessary for the purpose of this evaluation.

Note 2. Some researchers, such as McSweeney (2002), doubt whether there is such thing as a “national culture.” Indeed, nation and culture do not necessarily share the same boundary. Nonetheless, the employment of the concept “national culture” helps us pay attention to the big picture and operationalize the research.

Note 3. Confucianism, as an ethical and philosophical system, developed from the teachings of the Chinese thinker Confucius, representing “a tremendous code of political maxims and rules of social propriety for cultured men” (Weber, 1964, p. 152), which condemns pure profit-seeking and advocates conformity, hierarchy, and filial piety (Liao & Sohmen, 2001; Weber, 1964). Attention should be paid to the fact that besides Confucianism, many other factors have also impacted contemporary Chinese culture (Lam et al., 1994).