

## CHINESE ENTREPRENEURSHIP A CASE IN POINT

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### ABSTRACT

*The purpose of this research paper is “to look at some of the entrepreneurial qualities of Chinese businessmen and draw comparison between Pakistani entrepreneurs and Chinese entrepreneurs”. This paper will look at measures to promote entrepreneurship in Pakistan. The concept of entrepreneurship has been around for a long time but its recent current discovery in modern times has made it a popular business term. Inherently entrepreneurs are risk takers, adventurers by design and quick to seize opportunities presented to them which might not be apparent to others. Chinese entrepreneurship is largely responsible for the growth of the Chinese businesses especially among family owned enterprises. In essence the Chinese cultural values and family values are linked together and play an important part in promoting entrepreneurship among family owned Business units. The concept of Confucianism relates mostly to behaviors, human relationships and interactions. Chinese business is characterized by high centralization, less bureaucracy, entrepreneurship and emphasis on Chinese cultural elements. The high degree of centralization guarantees that control remains with one individual thus giving more chance for to growth of entrepreneurship. Most of the employees report to one boss who exercises firm control over the organization. Due to the centralized control and less bureaucracy flexibility and ease of decision making results in flexible leadership style and more entrepreneurship growth. Economic progress in Pakistan has been slow over the last 60 years, due to many reasons which have resulted in lack of entrepreneurial activities. Nothing much has been done to promote and foster entrepreneurship in Pakistan. Rent seeking is being carried out at the government level and no real progress or economic activity is taking place. Such an atmosphere deters and hinders entrepreneurial growth. Non adherence to laws in Taxes, intellectual property and inequality in wealth and land distribution has limited economic entrepreneurial growth. This paper aims to determine measures to improve the state of entrepreneurship in Pakistan. It will also look at hurdles which undermine entrepreneurial activity in Pakistan.*

Keywords: Rent seeking, Mergers and acquisitions, Global Entrepreneurship Monitor.

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### Introduction

For much of the past century Chinese business practices have been hidden from the rest of the world. However, with the resurgence of the Chinese in the current era Chinese business practices have come to the attention of the world.

The famous silk route is one of the most famous ancient trading corridors of older times. It has been used for centuries by Chinese for trading silk with the rest of the world including the subcontinent and western countries. Chinese silk and spices were popular destinations of Rome and western cities where they fetched very nice returns. Trade was booming along this route for centuries and was a means of earning for the Chinese people for a long time.

In present day modern times China is exporting material to Europe, USA and the rest of the world through its highways and deep water ports. China consumer goods are popular throughout the world and are in engine of economic growth for China. China is an emerging economy, growing rapidly at a steady pace. Further loosening of regulations is required for sustaining entrepreneurial growth. Most of the startups in China are dominated by technology and Chinese entrepreneurs continue to use the advantage of technology in entrepreneurial startups.

### The concept of entrepreneurship

The concept of entrepreneurship has been around for a long time but its recent current discovery in modern times has made it a popular business term. Inherently entrepreneurs are risk takers, adventurers by design and quick to seize opportunities presented to them which might not be apparent to others. Many times they will use simple ideas to build large corporations and business empires.

Entrepreneurs act like change agents who bring about positive change in progressive economies. Entrepreneurs are characterized by extraordinary foresight and conceptualization of business ideas. In addition they can identify economic opportunities and utilize them in a favorable manner. By transforming the means available into useful goods and services entrepreneurs have

helped to change society. The industrialization process in modern times has been the result of people like Ford, who introduced the concept of mass assembly of automobiles.

Entrepreneurship that is used for rent seeking will not promote economic growth. The incentives offered by the State can either promote entrepreneurship or lead to rent seeking which does not lead to entrepreneurship, growth and prosperity.

New ventures are often initiated by individual ideas and remain in the solo phase in its inception. After the innovator realizes that his ideas have been a success he will seek council of friends. At this stage the group has to decide if they want to continue with the venture in an informal way or give it formal shape. This phase is called the "Bootleg" phase. If the team decides to give the idea a formal shape then a formal organizational structure is constituted in which a budget is allocated for completion of the task. In such a case separate funds may be earmarked for promoting innovation within the set up.

### **Beginning of chinese entrepreneurship**

China has been considered a socialist and communist republic. Such countries normally donot allow open policy of doing business and practicing entrepreneurship. However, it is believed that China's entrepreneurship started with the Deng Xioping's reforms in 1978. Special economic zones were created; noteworthy is Shenzhen in southern China. The first law for patents came into effect in 1984. Economic reforms continued and state owned enterprises were allowed to file for bankruptcy. However, the legislation introduced for limiting number of employees in private companies to seven gave a sharp rise to the number of companies registered.

During the 1980's and 1990's an increase in entrepreneurial activity was observed in China. The activity mainly comprised of two types i.e. exporting goods to other countries and importing items from other countries to China. The export oriented entrepreneurship consisted of mainly making goods cheaper so that they could be easily sold to other countries. Items that were popular elsewhere in the world were introduced in China. These items were slightly modified according to the requirements of Chinese consumers.

### **The business environment of china**

The business environment in China is not similar to the environment in Europe or USA. The dynamics of Chinese emerging economy was different as compared to developed economies. The role of the government is pivotal in promoting entrepreneurship in a country. The Chinese government has realized this fact and plays a vital role for the development and sustenance of entrepreneurship.

One of the hurdles that currently entrepreneurs face in China is access to funding. Due to this fact many entrepreneurs resort to expensive loans which are hard to pay back. This important fact has been noted by the Chinese government and the current Prime Minister has vowed to improve the situation by introducing laws for easy access to funding for entrepreneurs.

The current environment in China provides greater exit options to entrepreneurs. The mergers & acquisitions activity has increased a great deal as compared to past years. This provides entrepreneurs opportunities to create companies with greater frequency. These companies are sold once they achieve initial success to larger companies and entrepreneurs again create new companies. As more exit options are available to entrepreneurs they are more aggressive in creating new companies.

Local governments have created many industrial zones which are specific to a particular industry. The aim of these industrial zones is to target certain sectors of the economy. Such industrial zones attract angel investors and also act like incubators. Entrepreneurs in China differ in many characteristics to non entrepreneurs. Chinese entrepreneurs are more willing accept risks and are mobile as compared to non entrepreneurs. Entrepreneurs are motivated by achieving individual success, being more opportunistic makes them successful.

### **Perception of entrepreneurship in china**

One of the aspects that are changing about entrepreneurship is its perception among students in China. Entrepreneurship is now a desirable career path for many accomplished students. Successful technological entrepreneurs have changed the minds of many young students and many dream of building their own companies by carrying out entrepreneurship.

### **Comparison of china and pakistan**

The table below provides a comparison of Chinese entrepreneurship and Pakistani entrepreneurship:-

Table 1: Comparison of China and Pakistan

Chinese entrepreneurship	Pakistani entrepreneurship
Government sponsorship	Lack of government sponsorship
Stability of Policies	Policies change rapidly
Culture encourages entrepreneurship	Cultural barriers exist
Education system promotes entrepreneurship	Education system does not provide requisite skills needed to undertake entrepreneurship
Technological advantages	Lack of technological knowledge
Encouragement of private sector	Lack of incentives for private sector
Deregulation of government owned enterprises	Government continues to hold on to unproductive enterprises
Perception of entrepreneurship positive	Poor image of entrepreneurship in society
Government provides exit strategy for business failure	Government does not provide any help for recovery from business failure

### The chinese brand of entrepreneurship

Chinese business is characterized by high centralization, less bureaucracy, entrepreneurship and emphasis on Chinese cultural elements. The high degree of centralization guarantees that control remains with one individual thus giving more chance for growth of entrepreneurship. Most of the employees report to one boss who exercises firm control over the organization. Due to the centralized control and less bureaucracy flexibility and ease of decision making results in flexible leadership style and more entrepreneurship growth.

The Chinese brand of entrepreneurship is inherently different than the western economies. The fundamental three components of Chinese entrepreneurship include *integrated innovation*. A business idea that is in vogue elsewhere is innovated according to the requirements of the Chinese consumers. The final product is often very different to the initial product from which it was produced. The second important component of Chinese entrepreneurship is *deep knowledge of life in china*. The Chinese entrepreneurs address the needs of the customers in China. This is done successfully by their in depth knowledge of Chinese life style. Chinese entrepreneurs also consider the role of government intervention. The five year plan is announced by the government. Chinese entrepreneurs adjust and place themselves strategically according to this plan. This results in them in being more successful in practicing entrepreneurship.

### Contribution of chinese entrepreneurship

Chinese entrepreneurship is largely responsible for the growth of the Chinese businesses especially among family owned enterprises. In essence the Chinese cultural values and family values are linked together and play an important part in promoting entrepreneurship among family owned Business units. The concept of Confucianism relates mostly to behaviors, human relationships and interactions.

Chinese entrepreneurial attributes are different to the orthodox western entrepreneurial characteristics which may be due to different cultural and religious beliefs.

Another positive aspect contributing to entrepreneurship is multinational joint ventures taken up by Chinese into entrepreneurs. This help to train local talent and many successful entrepreneurs become angel investors themselves thus helping growth of entrepreneurial activity (Zhen fund survey 2012). Cultural aspect also helps to motivate. In the final term of the degree Chinese students are encourage to take up an entrepreneurial project as a part their degree.

Chinese students dream of becoming entrepreneurs and running their own business. Due to their cultural motivators many Chinese students go on to become successful entrepreneurs. On the other hand in Pakistan students are not encouraged by their parents to become business entrepreneurs.

Investment in renewable energy is becoming very attractive for investors and entrepreneurs in China. The five years plan announced by the Chinese Government encourages participation for entrepreneurs in the economy. Government's policies in China remain stable thus promoting growth in the economy on the other hand policies in Pakistan are modified by the Government in order to benefit only a few selected people. Too many regulations retard the entrepreneurship process. A new approach to education in order to promote entrepreneurship is required. The approach should look to focus on learning, research and innovation.

### China slow transformation from state ownership to entrepreneurship

China is a communist country but in contrast to Russia the Chinese have adapted the political and economic system to suite them. In the late 1970's most of the business enterprises in China were owned by the State. However, with the change in the policy by the government many private enterprises have started to emerge and become part of the entrepreneurial business activities. Presently about 50% of enterprises are privately owned which are driving the Chinese economy.

Figure 1: State owned enterprises share of GDP, 1978 to 2005

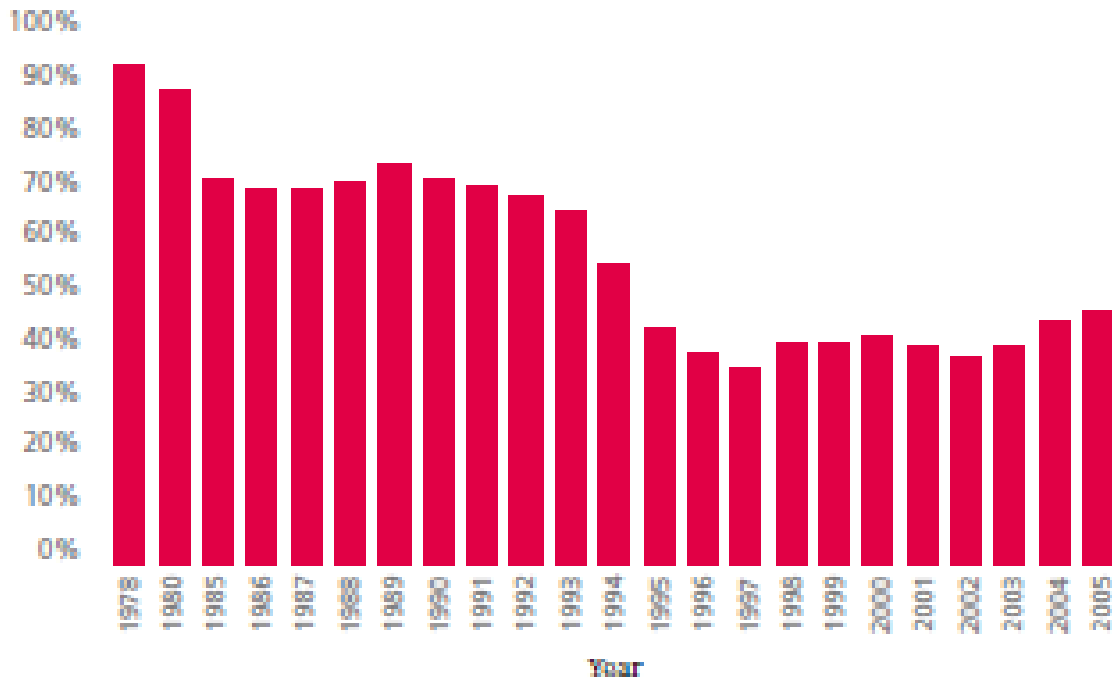


Figure 2: Entrepreneurs as a total percentage of employment

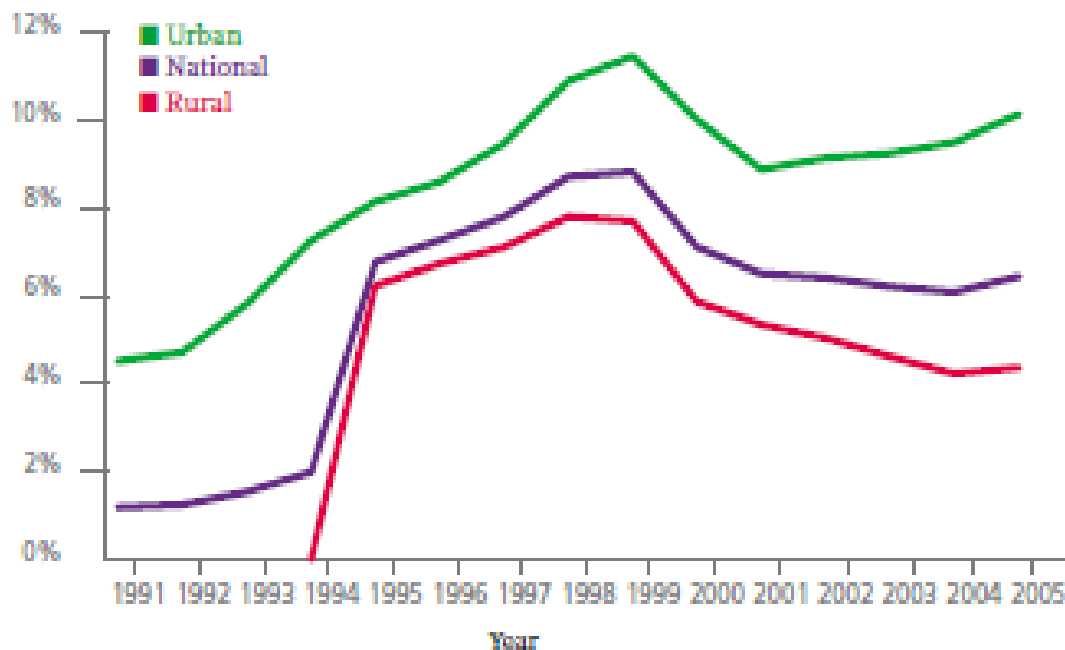
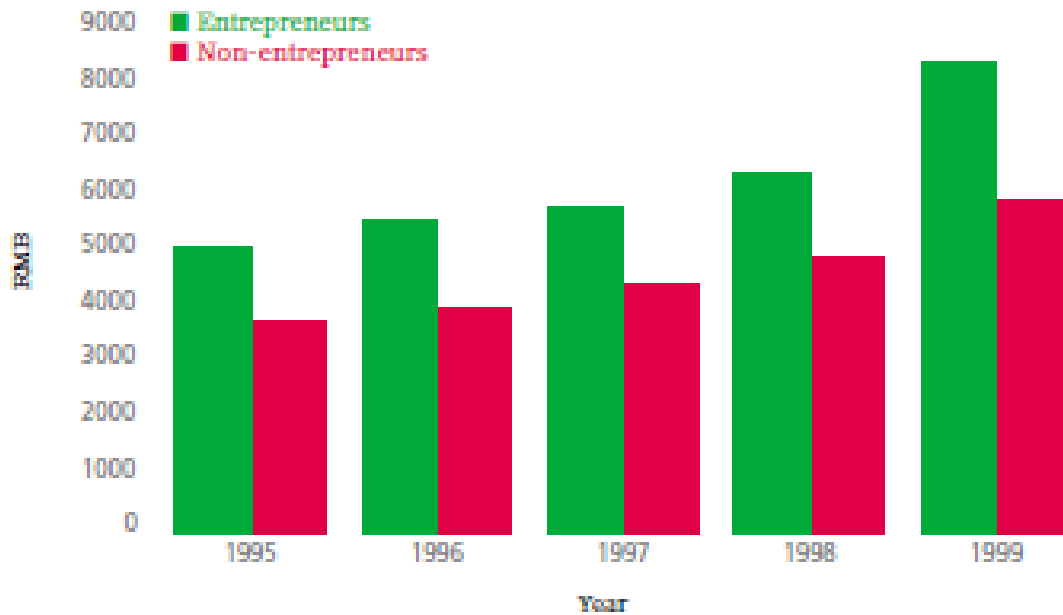


Figure 3: Annual incomes of Chinese entrepreneurs and non entrepreneurs in renmenbi



### Entrepreneurship in pakistan

Pakistan came into existence after division of the subcontinent. Since that time the economy has grown and a slow pace. A brief economic review of past 60 years reveals that government policies have favored a few individuals while neglecting the majority. Entrepreneurship has been seriously undermined by government policy and regulations. From the 1958 to 1968 was called the decade of development and the economy grew steadily in this time period. However, on close investigation it was revealed that loans were given mostly to benefit a few influential individuals. From the 1972 to 1977 the Bhutto regime was characterized by nationalization of large scale manufacturing sector. In contrast the regime of Zia from 1977 to 1988 was a period of denationalization and encouragement of the private sector. In this time more emphasis was given to large scale manufacturing and tax holidays were offered to industries.

During this time the economic policies have been mostly directed towards large entities. However, it is the small and informal that is the engine of growth and which has been continuously ignored. Almost 40 % of the business takes place in the informal sector. This sector is mostly unregulated and even government monitoring of this sector is not done in the way as it is done for large scale industries. The government has largely ignored the small informal sector. The data available for this sector is scanty and unreliable. This sector is valuable in achieving economic growth if its potential is utilized and developed.

For growth to occur the prerequisites include rule of law, democratic government, independent judiciary and free media. Unfortunately, for the past 60 years many of the requirements for growth have not been met due various reasons. Rent seeking has been defined as “government manipulation by higher ups, bureaucracy and lower level clerks”.

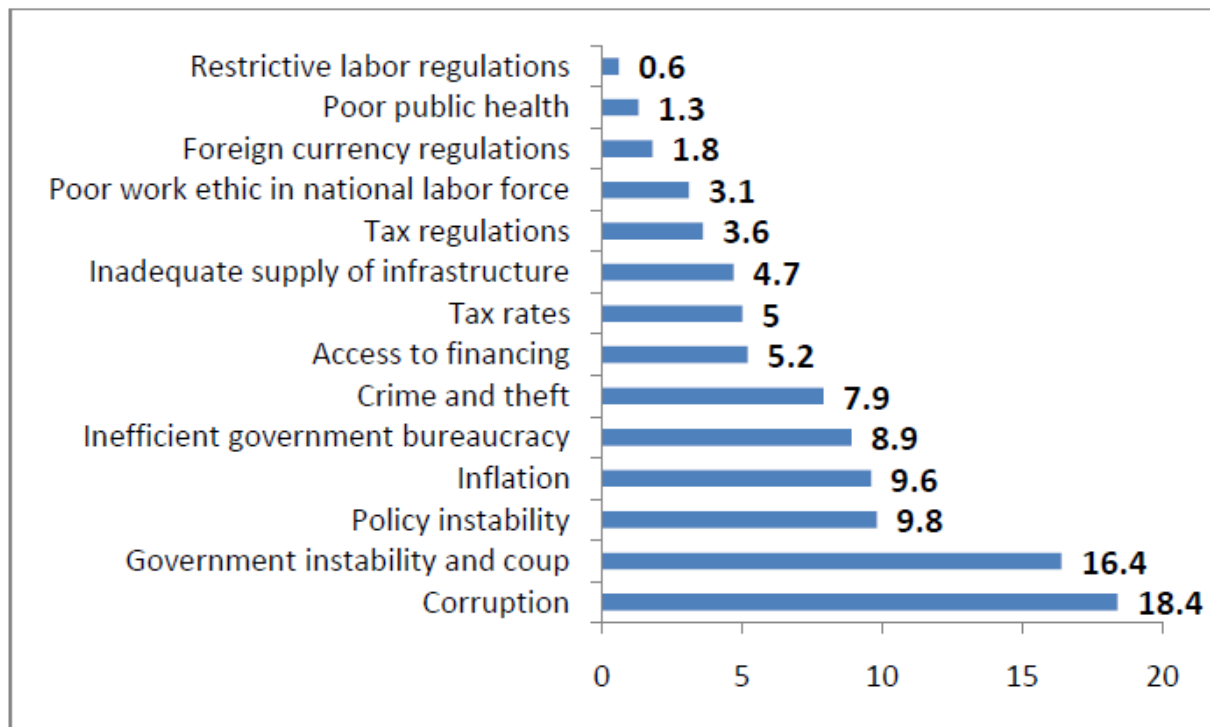
According to the Higher Education Commission, 125 universities are presently functioning in Pakistan. Every year approximately half a million university graduates enter the market. It is extremely difficult for the Government to provide jobs to all university graduates. Entrepreneurship can be used to create self employment income generating opportunities and thus control unemployment.

### Problematic factors for doing business in pakistan

Doing business in Pakistan is not easy and according to the world economic forum global competitiveness report 2011 the most problematic factor for doing business in Pakistan is corruption. Government and political instability are also ranked high in the list of factors. Other major factors include inefficient bureaucracy, access to financing and tax rates. The figure below provides a graphical view of the factors.

Figure 4: The most problematic factors for doing business in Pakistan

**The Most Problematic Factors for doing Business**



Source: World Economic Forum, Global Competitiveness Report 2010-11

The economic growth flourishes in an environment which promotes Innovation and creativity in utilizing nascent ideas. Due to government manipulation (rent seeking) entrepreneurial growth fails to take place and poverty remains in the country.

In Pakistan rent seeking is being carried out at the government level and no real progress or economic activity is taking place. Such an atmosphere deters and hinders entrepreneurial growth. Absence and mostly non adherence to laws in Taxes, intellectual property and inequality in wealth and land distribution has limited economic entrepreneurial growth.

**Suggested measures to promote entrepreneurship in Pakistan**

**Role of government and ensuring rule of law**

The role of the government is pivotal in ensuring law and order. Latest research on developed economies has shown that entrepreneurship cannot flourish without proper rule of law. Only by providing an effective legal and judicial system can the government promote rule of law. Absence of rule of law will hinder and slow down the entrepreneurship and innovation process.

**A different growth strategy**

The government centered approach to development has not really produced the required results of economic growth. There is a need to rethink this strategy and many economists are of the view that self sustaining growth needs to be promoted which emphasizes freedom of the individual and provides security. This growth strategy should provide equal opportunities to all and provide healthy competition for better results. The role of the government should be that of a facilitator and provider of infrastructural facilities. The growth strategy should focus on globalization and utilizing innovation to promote growth.

**Removing the instruments of rent-seeking**

Government rent seeking is stalling entrepreneurship by undermining competition. The government needs to have uniform policy for all industries and sectors. No specific industry should be given preferential treatment or subsidy. Reforms need to be introduced in civil and government sector to stop rent seeking. Salaries and allowances also need to be competitive with private sector to curb corruption and malpractices. The instruments of rent seeking need to be done away with.

### Media the basis of knowledge creation and informed participation

Media has become integral part of people's lives and it is how they stay informed and obtain information. Small and medium size business unit's growth is crucial for growth of a developing economy. Mass media entrepreneurship initiatives are common in countries including Taiwan, UK, USA Canada, and Finland.

The GEM survey in Pakistan provided evidence that media not paying due attention to entrepreneurship. In many countries entrepreneurship is encouraged by giving coverage to successful business entrepreneurs. In Pakistan no such policy has been made by the government. There is a need for all stakeholders from government and media to make a new policy to address this shortcoming. More attention by media will bring people focus on entrepreneurship.

### Conclusion

This paper looked at few entrepreneurship qualities of Chinese businessmen and a comparison was drawn between Pakistani and Chinese entrepreneurship. Entrepreneurship in China has been a major contributor in economic growth. Chinese cultural values also play a vital part in promoting entrepreneurship. The perception of entrepreneurship in China is positive among students and youth. Many successful entrepreneurs have contributed in molding the minds of students to engage in entrepreneurship. Entrepreneurship growth has been slow in Pakistan due to number of reasons. However, there is sufficient chance of promoting entrepreneurship by introducing a culture that contributes to enhancing entrepreneurship. Role of the government is pivotal in promoting entrepreneurship in Pakistan. By ensuring law and order and effective judicial system economic growth in the form of entrepreneurship can be enhanced. By adopting an economic growth strategy which promotes innovation and also by reducing corruption and rent seeking entrepreneurship can be promoted. The role of the media by creating awareness is crucial in promoting entrepreneurship.

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