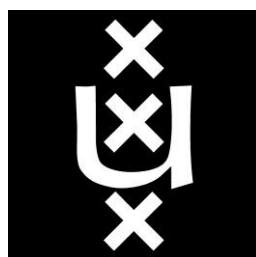


# BUDDING CAPITALISM IN A CHINESE CONTEXT

*The Study of Young Entrepreneurs in a Capitalist Experiment: Shenzhen*



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*“Entrepreneurship has become a key focus of research over the past three decades. With the focus on entrepreneurship and its potential for economic development and job creation, the recognition of entrepreneurs as having an important role in the economy has emerged. Entrepreneurship is widely acknowledged as a driver of sustainable economic growth as entrepreneurs create new businesses, drive and shape innovation, speed up structural changes in the economy, and introduce new competition – thereby contributing to productivity.”*

*- Kew et al., 2013*

### *Abstract*

This research is directed at young entrepreneurs and took a city labeled as a capitalist experiment by a communist government for the gathering of respondents. Using the extensive literature on entrepreneurship types, motivations, and contextual factors that contribute to the decision towards starting an own business an in depth description has been made of several young entrepreneurs in Shenzhen. The description and personal stories of the respondents serve to gain an insight in to the motivations and factors that are of influence to the possible future middle and upper-class of the Chinese society. For this description interviews were used and these were structured with regard to the concepts found in the literature. The literature dictates that the factors that can possibly influence young Chinese entrepreneurs in Shenzhen are of personal, social and familial, and institutional origin.

From the selection of predetermined motivational factors the *need for power* and *need for status* have not been found to be in effect in Shenzhen. The other personal factors have been found to be influential in differing degrees, most often depending on the personal situation of the respondent. The institutional factors *property rights protection* and *contract enforcement* have been replaced by *financial grants/funding* and *access to business incubators*.

The factors *ecological environment*, *being of an independent person*, *being of a practical person*, *need for personal development*, *need for fulfillment* and having *pre-entrepreneurial experience* have been found influential factors that were not considered pre-empirically. Also, *four archetypes of entrepreneurs* have been discerned based on the influences driving them towards entrepreneurship and most importantly it was found that within the city Shenzhen an *entrepreneurial culture* exists; created and sustained by social contact, government policies & programs and social norms, this culture can influence the personal motivations of budding entrepreneurs.

## **Foreword**

*“Studies of youth in the context of society are important for policy frameworks as they address the question of how different societies provide cultural, institutional and economic support for youth to become entrepreneurs. Young people’s involvement in entrepreneurship is influenced by their individual attributes and by their environmental conditions. Studies of entrepreneurship have distinguished between negative factors pushing people toward entrepreneurship and positive factors pulling people to become entrepreneurs (Verheul et al. 2010). A society may pull youth towards entrepreneurship by creating incentives and support for entry into entrepreneurship. Social value placed on achievement, social development, independence, entrepreneurship and innovation are examples of positive factors that may pull people toward discovering and exploiting opportunities and further toward self-employment. Social conditions such as poverty, high unemployment, and widespread dissatisfaction are examples of negative factors that amplify the distance between people’s current and desired states, which may push people into starting an enterprise to make a living.”*

*- Schøtt et al., 2015*

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## Introduction

### *Relevance of Research*

According to the Schøtt et al., 2015 entrepreneurship was not actively encouraged among young people in earlier times. Neither education or socialization aimed to stimulate an interest in becoming an entrepreneur and when young people did express an intention to become entrepreneurs, as happened occasionally, they were likely to be discouraged by family as well as lenders and investors, who were reluctant to support people who lacked experience.

In recent years there has been a global shift in social values, norms and institutions for entrepreneurship, specifically young people's involvement in entrepreneurship. Entrepreneurial interest is now regarded as a mindset that can be instilled and nurtured through socialization and education and entrepreneurial competencies are considered learnable through instruction and training; young people are channeled into entrepreneurship, budding young entrepreneurs are supported - emotionally and financially – and the successful ones are celebrated as heroes. The movement toward young people's involvement in entrepreneurship is part of the globalized faith in entrepreneurship, a belief that people's pursuit of entrepreneurial endeavors will benefit themselves and the society. Young people's engagement in entrepreneurship is believed to increase their life chances, livelihood and to increase youth employment, security and stability in society (Schøtt et al., 2015). As China has traditionally been a rigidly closed society the doing of research in to the ways, motivations and activities of its youth is, in this world of increased internationalism and globalization, more relevant than ever.

### *Shenzhen Special Economic Zone*

In 1949, when socialist China was established, land and properties were nationalized and disregarded as assets with no economic value. The whole state machine was mobilized to achieve the goal of industrialization, through which 'differences' between the city and the countryside, between industrial and agricultural production, and between manual and mental labor would be abolished and communism achieved (Zhu, 1999). By the end of the 1970s, China's demoralized society and centrally planned economy were on the verge of collapse. The strict control by the central government had led to a shortage economy that stifled growth. A certain degree of liberalization was necessary and in order to realize this several

reforms were needed (Ng, 2003).

When in 1979, paramount leader Deng Xiaoping made a bold step toward market-oriented reforms, Western business looked on gleefully. A central point to Deng's semi-capitalist experiment was the plan to develop Shenzhen and three other Special Economic Zones in Guangdong and Fujian provinces (Grimmer, 1990). To Xiaoping a Special Economic Zone was a window of technology, management, knowledge and foreign policy. The goals of the SEZ's were then also to firstly serve as a window for observing global trends in economic, scientific, technological, managerial and market developments. Secondly it would have to serve as a training ground for talents in the mainland, and finally also serve as an experimenting ground for reforms such as special economic management systems, flexible economic measures for enhancing economic cooperation and technology interflow between China and foreign countries (Ng, 2003).

Because of its proximity to Hong Kong the Bao'an region in the Guangdong province was identified as a possible site for developing an export-oriented city economy. The Shenzhen Special Economic Zone was built from scratch in the area neighboring Hong Kong by razing pre-existing villages that were located there (Ng, 2003). So whereas many Chinese city governments faced the daunting task of renovating dilapidated old structures, Shenzhen, as an undeveloped new town, needed to develop a vast amount of green land to fill with urban infrastructure and buildings in order to accommodate forthcoming social and economic activities.

Development of the socialist market city economy Shenzhen can be divided into three phases: construction phase, which lasted from 1980 until 1985; the economic restructuring phase which lasted from 1986 until the early 1990's; and the re-engineering phase which has been going on from the mid-1990s. During the construction phase Shenzhen surpassed almost all its economic and production targets set out in the socio-economic and spatial plans, but the zone was more groomed by domestic capital than by foreign investment in that period. As it was the first experimental site for market mechanisms, many Chinese corporations tried to establish linkages with the city, spurring its rapid economic growth. At the end of the 1980's the introduction of the land market coupled with housing reforms and foreign direct investment in real estate, tourism, commerce, trade and finance accelerated the economic restructuring of the Shenzhen Special Economic Zone. From the mid-1990s Shenzhen has moved towards high-tech industrial development; backed by governmental support the high-tech industries have gained prominence and experienced a phenomenal growth rate ever since (Ng, 2003).

Despite occasional fluctuations and stagnation, Shenzhen has achieved substantial and robust demographic and economic growth. Its GDP in 1995 rose to ¥79.6 billion from its small and humble base of ¥270 million in 1980 and the number of official city residents rose to over 5 million in 2000, according to statistics gained from the Shenzhen government it surpassed 10 million in 2013 (<http://english.sz.gov.cn/gi/>; Zhu, 1999). Unofficial estimates by Shenzhen residents even range up to 20 million for 2015.

### *Entrepreneurship in China*

Entrepreneurship and starting a private business can be important drivers of economic growth, especially for an economy such as China, where marketization relies for a large part on the rapid growth of the non-state sector in the transition away from central planning (Yueh, 2009). Research indicates (Xu, 2010) that Shenzhen offers a more positive environment for entrepreneurial activities than China in general and Shanghai specifically. Combining Shenzhen's adjacent location to Hong Kong, the city's reputation as manufacturing capital of the world and the existence of a large and young migrant community creates fertile ground for entrepreneurs and research regarding young entrepreneurs.

Since the 1990's China has made increasing transitions towards more privately owned business and in the early 2000's the private sector overtook the state sector in importance. This happened even though numerous information-related obstacles characterized the economy at that time. An incomplete legal system affording limited protection to private assets was in place, and credit constraints for private enterprises added by regulatory opacity were some of the multiple factors that impeded the starting of a business (Yueh, 2009). In spite of this restraining context there has been an ever-growing segment of entrepreneurial activity that has propelled Shenzhen and China along its transitional path and helped the country achieve remarkable growth rates.

Entrepreneurship in China has several unique characteristics. Its market conditions allow for a relatively strong non-market dimension of entrepreneurship. Secondly, its political environment spurred the creation of town-and-village enterprises (TVE's), which were an early form of non-market entrepreneurship in China between 1978 and 1992. Town and village enterprises are viewed as collective enterprises that enjoyed much clearer and articulated support from the state than private-owned enterprises because their identities are conceptually more related to the non-private ideology found in communism. A third characteristic is that the high degree of institutional uncertainty in China resulted in the

creation of entrepreneurs with a red hat. This red hat strategy helped to ensure entrepreneurs that privately owned a business would be subject to similar treatment that the state and collective enterprises enjoyed, thus offsetting the potential risks and costs that might result from the unstable trajectory of state policy towards the private sector (Zhang & Stough, 2013).

Strong influence of the government penetrates every aspect of entrepreneurship in China, this is similar to many other transitional economies and particularly those that were formerly centrally planned economies. In China the legacy of socialism, combined with a long centrally controlled yet multi-ethnic history, resulted in a culture that values strong family ties, a strong communal concept and the virtue of prioritizing collective interests and benefits. In concurrence with the fact that changes in culture always occur over a long period of time, market orientation and globalization are slowly changing these cultural habits.

### *Problem Statement & Main Research Question*

Entrepreneurship has been recognized as one of the driving forces for market competitiveness and economic growth (Lu & Tao, 2010; Zhang & Stough, 2013). Business venturing introduces newer and better products and services, or offers existing products and services at lower costs, unleashing what Joseph Schumpeter called the forces of creative destruction. To fend off potential competition from startups, large and established corporations try to nurture intra-firm entrepreneurial activities. Meanwhile, national and regional governments have raced to introduce policies that facilitate business venturing and encourage the entrepreneurial spirits of their people. But in addition to understanding firm strategies and government policies, there is a growing need for understanding the determinants of entrepreneurial activities at the individual level (Lu & Tao, 2010).

The need to grasp these determinants becomes even more pressing when a city that is regarded as a large and continually shifting migrant hub, and was even dubbed the Chinese Silicon Valley by Inc.com, is the location for data collection. Added to this is the fact that the young generation that is starting new business ventures in Shenzhen will in twenty to thirty years possibly make up a powerful middle and upper class. Understanding who they are, what their motivations are, and what factors influence their decisions can prove to help in understanding the future of Shenzhen specifically and China at large.

The increasing focus of China towards capitalism, the opening up of its system to the Western World and the changing of its practices raises several questions (Zapalska & Edwards, 2001). Questions concerning what drives the entrepreneurs of contemporary

Shenzhen, what are the motivations Yueh (2009) talks about, in what way does the network and background (Anderson et al, 2005; Au & Kwan, 2009; Kwon & Arenius, 2010; Lu & Tao, 2010) that young entrepreneurs have contribute to their business in a city that is predominantly made up of migrants, and in what way are they influenced by the institutional environment of a controlled capitalist experiment? (Kwon & Arenius, 2010; Lu & Tao, 2010; Taormina & Lao, 2007; Xu, 2010; Yueh, 2009).

A combination of the abovementioned considerations led to the formulation of the following research question:

**Research question:**

***In what way do personal and or contextual factors influence the decision of young Chinese entrepreneurs to start their own small-scale business in Shenzhen?***

## Theoretical Framework

### *Introduction to Entrepreneurship*

Entrepreneurship is almost always defined in terms of what the entrepreneur does and who he or she is. Entrepreneurs have no unambiguous identities in reality but are defined by their behavior and their entrepreneurial activities. These activities usually consist of creating new combinations in the market, such as new ventures or organizations and new means-ends relationships that can possibly yield a profit (Zhang & Stough, 2013). The diversity in meanings attributed to entrepreneurship can make the concept difficult to define. When referring to entrepreneurship in China a conceptualization will be employed similar to the one Zhang & Stough used. Entrepreneurship comprises newly established private businesses and from a process perspective entrepreneurship should be viewed as a continuous, evolving process rather than a single event or a series of unrelated events (Guo & Miller, 2010).

In China entrepreneurship can be divided into businesses with a maximum of seven employees, labeled *Getihu*, and businesses with eight or more employees labeled *Siying Qiye*. Collective town and village enterprises, although contributing an important share to the total economic growth (Zapalska & Edwards, 2000), will not be included in this research.

The drivers of entrepreneurship in China, and in urban areas in particular, are yet to be well understood despite the growing importance of the sector. Research on entrepreneurship traditionally takes two different paths, the first examines the personal attributes of business founders; this is called the traits approach. In the traits approach personal attributes of business founders are examined in order to lay bare what makes them different from the general population. The second approach examines the external or environmental conditions that influence entrepreneurship and this is named the rates approach. Entrepreneurship ecologists study external or contextual conditions that influence entrepreneurship; the influence of regulations and government provisions on entrepreneurs are taken into account.

In the 1980's there was a lot of debate about whether research regarding entrepreneurship should focus on personal traits or the external environment. A more realistic view in this debate is the one employed in this study, where factors influencing a person to start a business come both from a person's psychological variables and from the external business environment (Taormina & Lao, 2006). Based on the literature regarding entrepreneurship in China and entrepreneurship in general three groups of factors have been

identified as contributing to or influencing the decision towards becoming an entrepreneur; social/familial networks; personality traits, motivations and human capital; and the institutional environment. Effort has been made to make a short but clear description of the characteristics of these determinants and at the end of each segment a small summary of the relevant concepts and indicators has been provided.

### *Social Networks and the role of family*

When discussing the role that a social network plays in China reference to and explanation of the concept Guanxi has to be provided. Guanxi is considered a dyadic interpersonal relationship ascribed to or achieved by an individual, in essence it is a particularistic relationship between two individuals. A Guanxi web, or *wang*, is comparable with the Western construct of a social network (Guo & Miller, 2010). Historically seen Guanxi is a natural manifestation of Confucianism, which is the underlying traditional social fabric of the Chinese society. According to Confucian social theory, the family is the basic social unit and family ties are characterized by unconditional loyalty. Because family is considered an elastic concept, Guanxi ties with non-kin can be viewed as an extension of Guanxi ties inherent in family members, individuals are thus not limited to the family and are able to expand their Guanxi ties when needed or when practical. (Guo & Miller, 2010)

In the case of entrepreneurship, including the network approach is particularly appropriate due to the relational nature of the Chinese culture (Guo & Miller, 2010). According to Yueh (2009) many factors contribute to the increase in entrepreneurial activity, but the dominance of informal and relation-based contracting in China suggests that the elements fostering private sector development are likely to evolve around social networks (Yueh, 2009; Anderson et al, 2005). These entrepreneurial Guanxi networks are a complex mixture of multiplex social and professional ties, all of which tend to contain both affective and instrumental elements, bonded by trust (Anderson et al, 2005). Entrepreneurs tend to start a business with relatives and rely heavily on their network because family members outside the firm offer a range of very important affective and professional resources to entrepreneurs (Anderson, 2005; Lu & Tao, 2010; Yueh, 2009).

Globally speaking young people's social capital in the form of relationships with entrepreneurs, who may serve as role-models and provide tacit knowledge on entrepreneurial pursuits, promotes intentions to become an entrepreneur. Specifically, young people's social capital in the form of having self-employed parents who serve as role-models and provide tacit knowledge, promotes their pursuit of self-employment (Schøtt et al., 2015). Having a

personal contact like a friend or relative who has started a business also has a positive influence on the decision towards becoming an entrepreneur in China (Kwon & Arenius, 2010; Lee & Chan; Yueh, 2009).

In a study by Bygrave concerning over 30 countries (2005, in: Au & Kwan, 2009) it is discussed that family and friends respectively contribute 42% and 29% of formal financing towards starting a business and can thus potentially be of great value to entrepreneurs. Au & Kwan (2009) point out that the seeking of start-up capital from the family, either from the parents or siblings can be related to transaction costs. Funding from friends, to a certain extent, acts as an alternative or even a substitute to family capital.

*Table 1: Summary of Social/Familial Network Influences*

<b>Family members or friends that can provide assistance</b>	<b>Entrepreneurial Contact</b>	<b>Access to start-up capital</b>
Affective assistance	Having a family member that has started a business	Access to start-up capital from relatives
Professional assistance	Having a personal contact that has started a business	Access to start-up capital from friends

### *Personality traits, Motivations & Human capital*

Human capital refers to people's knowledge, skills and experience, and thus comprises both codified knowledge acquired through education and tacit knowledge acquired through apprenticeship (Schøtt et al., 2015). Lu & Tao (2010) and Taormina & Lao (2006) confirm that the gender, age, education and financial conditions of budding entrepreneurs matter for pursuing entrepreneurial activities. But also personality traits such as managing uncertainty, having a positive outlook on life, having sufficient drive, and willingness to embrace risks are important to note (Lu & Tao, 2010). Entrepreneurs are more driven and more motivated, but successful entrepreneurs are not simply motivated people, they employ their skills and talents to interact with the environment to achieve success (Wu et al, 2007 ;Yueh, 2009). Not a lot of them have enough funds to start their business, though the urban Chinese entrepreneurs who do start earn, on average, 20% more than non-entrepreneurs during the late 1990's; a financial incentive and motivation is thus present (Yueh, 2009).

In the research by Kwon & Arenius (2010) the Peoples republic of China was included among 36 other countries and the results showed that individuals with a high



education and high family income and those who believed that they had the knowledge, skill, and experience required to start a new business (Yueh, 2009) were significantly more likely to perceive entrepreneurial opportunities.

According to Jayawarna (2013) seven factors motivate entrepreneurs to start their own business. Because the new Chinese management model is grounded in both traditional Chinese values and Western practices that encourage flexibility and innovation (Zapalska & Edwards, 2000) the decision has been made to also include those factors for which no concurrent Chinese literature was found. The first factor is similar to the need for achievement opted by Taormina & Lao (2006), Wu et al (2007), Tan (2001) and Lee & Chan (1998). The second one is the desire to work flexibly, which resembles the desire for independence by Lee & Chan (1998). The factors materialism, need for power, need for status, and desire to contribute to the wider community have not been grounded in literature regarding Chinese entrepreneurs but will be included in the research due to expected relevance. Based on the literature several factors have been selected and categorized in table 2, as is shown below.

*Table 2: Summary of Personal Characteristics:*

<b>Personality traits</b>	<b>Motivations</b>	<b>Human Capital</b>
Ability to manage uncertainty	Need for achievement	High education
Having sufficient drive	Desire to work flexibly	High Family income
Willingness to embrace risks	Materialism	Belief in personal capabilities
Having a positive outlook on life	Need for Power	
Social behavior	Need for Status	
	Desire to contribute to the wider community	

### *Institutional environment*

Lu & Tao (2010) and Taormina & Lao (2006) propose that the entrepreneurial decision in China is shaped by the personal attributes and psychological characteristics of aspiring entrepreneurs on the one hand and by the perceived importance of the institutional environment for private ownership and business on the other hand. Institutions can be seen as

the rules of the game in a society or, more formally, are humanly devised constraints that shape human interactions (Lu & Tao, 2010). Organizations, whether they are political, economic, or social, behave and perform within a framework defined by institutions, and when institutions are seen as a matrix of formal and informal rules they define a set of choices for market competition and interactions between demand and supply (Zhu, 1999).

Following the previous train of thought the cultural traditions in a society can be seen as part of the institutional environment and these traditions sustain values and norms for appropriate behaviors of youth and appropriate behaviors toward youth. Some societies value independence in young people, whereas other societies grant authority to older people and thus devalue independence in young people. Such cultural traditions may influence young people's desire to pursue entrepreneurship. Institutions in society can thus enable or constrain youth. Another example is that lack of easy access to education is an obstacle, pushing very young people to enter the work force and to start a business without much education, experience and resources. Conversely, education and training in entrepreneurship, public and private support, and institutional arrangements such as incubators may pull young people into entrepreneurship (Schøtt et al., 2015).

The economic institutions in society can affect youth entrepreneurship very directly, e.g. financial institutions that are reluctant to lend money to young entrepreneurs. Kwon & Arenius (2010) proposed findings consistent with the claims made by Yueh (2009) and Lu & Tao (2010); they state that the institutional environment, such as the availability of venture capital and bank loans indeed matters in entrepreneurial activities. A venture capital firm invests capital into projects and companies that have a high potential for growth, typically a new or expanding business and this often comes with a substantial element of risk. As a tradeoff for the invested capital it obtains equity in the company it invested in.

In his research Xu (2010) analyzed the entrepreneurial environment of Shenzhen based on the Global Entrepreneurship Monitor, and on most aspects Shenzhen scores better than Shanghai, China and the Global index. These aspects include financial support, government policies and programs, education and training, research and development transfer, commercial and professional infrastructure, access to physical infrastructure, market openness and cultural and social norms. The categories used by Xu (2010) have been implemented in this research and served as the base categories on which the factors of institutional influence were operationalized using the abovementioned authors.

Most factors are relatively straightforward, but I will discuss them briefly anyway. Government policies and programs regards the way in which entrepreneurs are encouraged

by the government to start a business, these may include tax provisions and organizational requirements. Access to financial resources means the availability of financial resources to new and growing businesses in the form of bank loans or venture capital. The process of research and development transfer means whether an idea can easily be turned in to a commodity and whether opportunities can easily be seized by entrepreneurs. Education and training can help in turning potential business opportunities into reality by entrepreneurs. The category openness of the market is directed at the question if there are any entry barriers when starting up a business. Cultural and social norms can influence people towards starting an own business and are manifested in the form of general attitudes and social norms. The physical infrastructure refers to the availability and accessibility of roads and utilities ( Xu, 2010).

*Table 3: Summary of institutional influences*

<b>Gov. Policies &amp; Programs enabling entrepreneurship</b>	<b>Access to financial resources</b>	<b>Access to education and training</b>	<b>Research and development transferability</b>	<b>Market openness</b>	<b>Cultural and social norms</b>	<b>Physical Infrastructure</b>
Employment requirements	Availability of venture capital	Provision of consultants	Idea -> Commodity	Governmental entry barriers	General attitudes regarding entrepreneurship	
Organizational requirements	Availability of Bank loans	Access to business classes	Seizability of opportunities	Corporate entry barriers	Social norms regarding entrepreneurship	
Tax provisions						
Property right protection						
Contract enforcement						

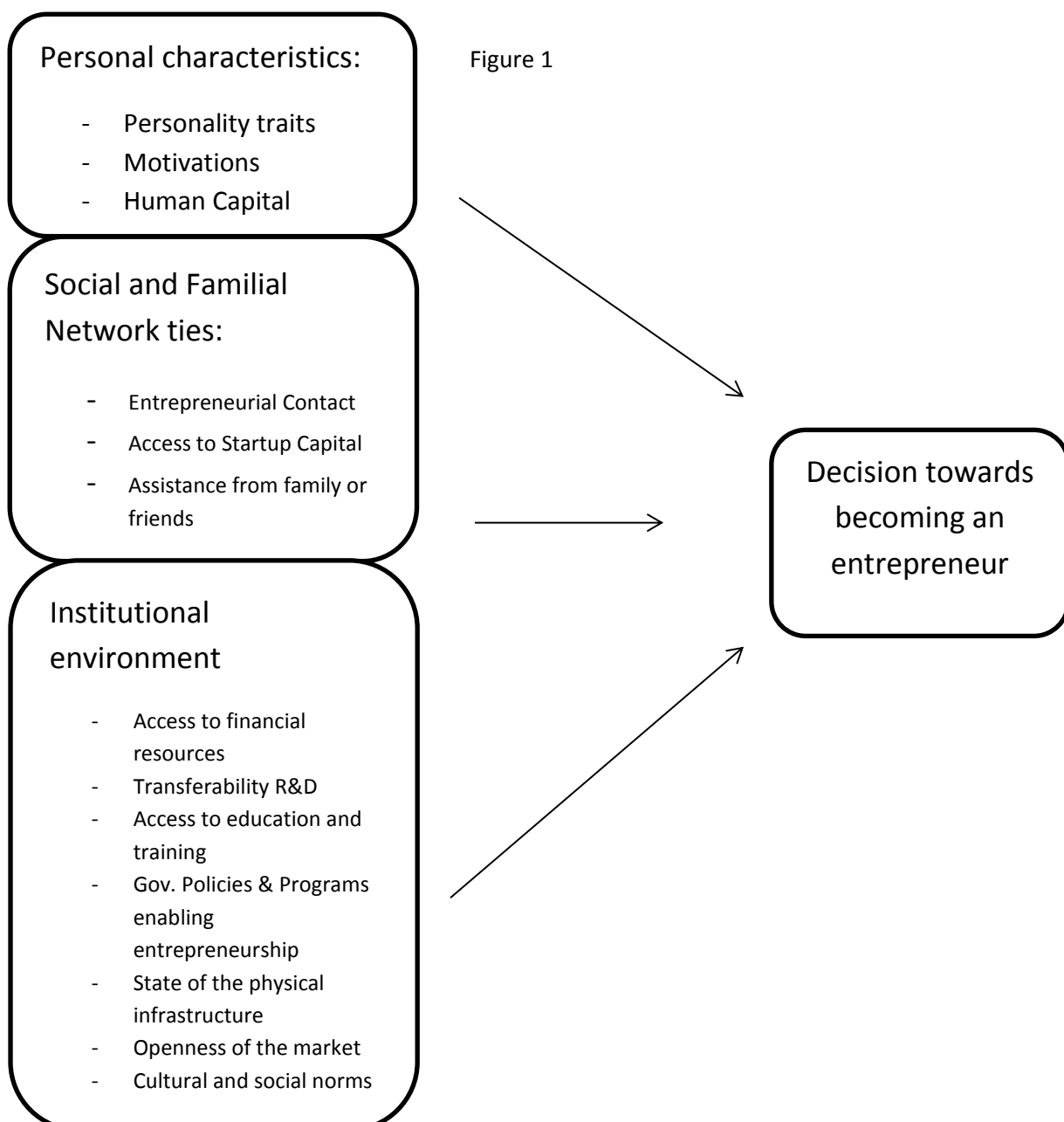
### Conceptual Schematic

A detailed conceptual model has been created based on the concepts found in the literature in order to clearly define which concepts relate to each other and in which way this happens, but also in order to make the process of creating a topic list easier; by means of a conceptual framework focus and structure is added to the study and the theoretical assumptions and concepts adopted in the study are reflected upon (Hennink, Hutter & Bailey, 2011). Based on the concepts found in the literature and the subsequent categorization of these concepts three sub questions have been developed:

How have their personal characteristics influenced their decision to become an entrepreneur?

How have their social/familial links influenced their decision to become an entrepreneur?

How has the institutional environment influenced their decision to become an entrepreneur?



## **Methodology**

### *Research design*

The research design used in this study is a cross-sectional design with case study elements and the research has a qualitative orientation. This design is used because during the course of this research an attempt will be made to find out in what way personal and contextual factors influence the decision towards becoming an entrepreneur for young people in Shenzhen. The unit of analysis is thus the individual entrepreneurs, and not Shenzhen or their organizations. The case study element is evident when recognized that upon executing this research one has to take into account the locational factors. The special status and history of the Shenzhen economic zone has to be regarded as influential, especially when doing an investigation into motivations towards entrepreneurship.

The design entails deductive and inductive elements. The nature of the research has a strong qualitatively inductive component because the life histories, motivations, context and decision-making elements of individuals are key elements. In contrast to that, the concepts referred to in the interviews are based on pre-notioned theoretical grounds, which clearly points in a deductive direction. Hennink, Hutter & Bailey (2011) state that qualitative data analysis involves the interplay between induction and deduction, what is important to understand is the contribution of both elements to the research and its analysis.

### *Unit of Analysis / Research Population*

As stated previously this research is aimed at laying bare the way in which personal and contextual factors influence young Chinese individuals has towards starting their own business in Shenzhen. According to Hennink, Hutter & Bailey (2011) the purpose of qualitative research is to gain a detailed understanding of a certain phenomenon. Participants in qualitative research are chosen because they have particular characteristics or experiences that can contribute to a greater understanding of the concepts or phenomena being studied. Qualitative research uses non-random methods of participant recruitment; this is called purposive recruitment or purposive sampling (Bryman, 2007). Hennink, Hutter & Bailey (2011) state that clearly defining your study population will help identifying an appropriate method of participant recruitment. Using this train of thought a set of criteria had been developed before data collection started. These address the limits of the study population and enable a more easy selection amongst the wide variation of entrepreneurs present in Shenzhen.

Firstly the focus has been on entrepreneurs that have recently, within a five-year span, started a business. This criterion had been selected so that the possible motivations and factors that contributed to the decision of becoming an entrepreneur are still relatively fresh in the memory of the entrepreneur. Because the research is focused on young entrepreneurs, the research population was subjected to certain age restrictions: entrepreneurs that have a maximum age of thirty-five were selected, although exceptions will be allowed when the relevance is high or when a lack of data is in order.

A criterion for the business these entrepreneurs have started is firstly the size of the business; it would need to be larger than two employees but limited to 7, the Chinese term for this business size is *Getihu*. Second, preferably the business does not only consist of family members of the business owner. Although it is theoretically interesting to gather data about the effect of family on the entrepreneurial motivations, this is not the main or sole goal of this research. Family businesses are accepted but effort was made to ensure that diverse business types were selected. Another criterion that is used was aimed at the level of professionalism of the business; there would need to be a clear and defined office or workspace, a certain amount profit or growth potential should be present and businesses which only supply the entrepreneur with a basic level of sustenance on a systematic level will be excluded.

Beforehand but also as the study progressed the question of when saturation of information would be reached was an important point of attention. On the basis of saturation of information the decision should be made how many interviews would have to be done and how diverse the study population would have to be (Hennink, Hutter & Bailey, 2011). During the preparation of the empirical research the following guidelines had been employed regarding the different industries in which entrepreneurs would have to be active:

- Knowledge based - it sector/ r&d / 3d printing/ high tech industry/consultancy
- Creative sector - arts/crafts/design/film/video/radio/publishing
- Manufacturers - factory owners
- Service based - food/dining/entertainment/clothes

Although there is strong overlap between the knowledge based sector and creative sector the distinction is made based on an article by Davis & Botkin (1994). They state that knowledge-based businesses among other things create smart products. These can be identified by a variety of characteristics: they are interactive, they become smarter the more you use them, and they can be customized.

### *Research Methods*

For this research the most widely used method of qualitative research is used, which are interviews. By using semi-structured in depth interviews, decision-making, beliefs and perceptions, motivations for certain behavior, the context surrounding people's lives and the personal story or biography of a participant can be identified (Hennink, Hutter & Bailey, 2011). It should be clear that, when the main research question is taken into account, this method of data collection is the one most appropriate and best capable of producing relevant data that can be used to answer the research question in a satisfying manner. Unfortunately the choice not to triangulate using quantitative surveys had to be made; procuring the correct translations would consume too much time.

Semi-structured interviews guided by the theoretical notion discussed earlier were used to obtain data from the Chinese entrepreneurs; a full topic list is available in Appendix B. The topic lists of the interviews was apart from being structured in line with the categories and concepts found in the literature also structured temporally to give the respondents enough time to get accustomed to the interview setting and the questions; the interviews started with more general questions concerning the startup phase, their social network and human capital, followed on in to questions concerning the institutional environment and ended with questions related to personal motivations, their character, and their opinions about the national government policy. The underlying idea of this is that in this way the respondents would get more relaxed with the interview setting and answer the questions in a more open, honest and straightforward way.

Even when during preparation and execution of fieldwork all possible cautions have been taken to prevent a bias in the interviews and the concurrent data one still has to be aware of this. Especially when considering that apart from the regularly present bias this research is steeped in cultural differences between the interviewer and respondents; differences that could lead to untruthful or socially desirable answers and for which no caution can be taken to prevent be prevented.

### *Execution of Data Collection*

During the execution of the empirical data collection the abovementioned criteria served as a guideline but were not enforced on a rigid basis. This led to the fact that they were sometimes not followed; firstly because of incomplete information prior to interviews, but even more so because of the relevance of the potentially available data. The age restriction of thirty-five was purposefully broken in order to look for potential differences or similarities

between entrepreneurs related to age. The above-mentioned criteria thus served as guidelines on which the recruitment process was structured but were subservient to potential scientific relevance of data.

In order to reach entrepreneurs and gather respondents, contact with the newly established business hub supporting young entrepreneurs in Qianhai had been made prior to the empirical data collection phase; three interviews were eventually carried out on location. In concurrence with that personal contact with a Dutch entrepreneur who owns a business located in Hong Kong has been used. Also, contact has been made with a high-tech consultancy firm called HAXLR8R, this company offers accelerator programs for its incumbents; entrepreneurs that have a good idea and business plan will be invited in-house to develop their ideas into reality whilst under the guidance of trained professionals and with access to financial resources; three interviews have been carried through Haxlr8r.

The personal contacts of the supervisors of the study have been used, Chinese students have been asked for guidance or knowledge regarding respondents and the Shenzhen Center for Design was used to gather respondents. Through the Shenzhen Center for Design a former University employee offered to assist the research by means of translation and appointment planning through WeChat with potential respondents. WeChat is the Chinese equivalent of Whatsapp, a message service through which it is capable to create groups and send text messages on mobile devices; Contact with young business developers has been sought successfully in groups focused on young entrepreneurs via this application. Using these practices and being socially active in entrepreneurial circles, whilst keeping snowballing practices that lead to biased and redundant data to a minimum, has led to execution of 26 interviews and one small focus group consisting of 4 participants. All the relevant data concerning these respondents, their business ventures and how they have been contacted is available in the Appendix.

Nearing the end of the data collection period several recurrent findings were appearing, in order to triangulate and further empirically base these findings the decision was made to form a focus group. The different subcategories of contextual and personal factors were, just as in the interviews, the main topics. Added to this were the preliminary findings obtained in the interviews. The focus group was organized by approaching several entrepreneurial people in the YHA accommodation in Shenzhen and consisted of four members. According to Hennink, Hutter & Baily (2011) a focus groups should exist of at least six members and not more than eight, in this way an optimal dynamic group conversation can be accomplished. Although the focus group consisted of four members only,



it still provided a platform through which argumentative feedback on certain findings could be attained and new insights could be gathered.

The empirical data collection period ran from the 31<sup>st</sup> of March until the 30<sup>th</sup> of April, although appointments and meeting had to be set up previous to the 31<sup>st</sup> of March. After completion of the interviews and focus group the collected data, the interview notes and audio files, were transcribed. This involved making a written record of an interview for the purpose of data analysis and can be seen as an act of representation. Each individual interview was turned in to a transcription. As an aid to coding and analysis Atlas.ti was used.

During the research and near the completion of the fieldwork several personal belongings of the researcher had been the victim of theft. These included certain electronic appliances and a USB-device which had a large amount of relevant research data on it. Luckily back-ups were available of most of the carried out interviews but unfortunately the first and the last interview had not been backed up, no transcript of these interviews is thus available, only field notes and interview notes. The transcriptions of the other 24 interviews will not be added to the appendix due to the sheer size of the documents, when needed for methodological validation these can be made available.

## Results

### *Introduction*

In this chapter the results will be presented per factor of influence, starting with the personal characteristics that are of influence to the decision of young Chinese entrepreneurs to start a business and continuing on to the contextual factors; the social and familial network of the entrepreneurs and ending with the institutional environment. Before discussing the results obtained in the interviews a short summary of the types of entrepreneurs interviewed is given. A short introduction to the different types of respondents, their profession and the kind of industry they are active in is provided because in this way their opinions can be considered in a more personal way and also because they in themselves can be regarded as the first outcome of the empirical data collection.

In total, viewpoints and opinions of thirty different entrepreneurs have been analyzed and included in the research, of which four during the focus groups and twenty-six in individual interviews. Of these thirty respondents, eight were female entrepreneurs. The average age of the young entrepreneurial respondents was thirty, not taking in to account the four older entrepreneurs that were interviewed, when these are taken into account the average age reaches 32.5. As stated previously, during the data collection the choice was made to include entrepreneurs of forty years and older in the research in order to possibly discover similarities or differences across the age groups.

At the outset of the research one of the objectives was to find entrepreneurs from four different sectors. Only one entrepreneur active as a manufacturer was interviewed, he was a part of the focus group but not a Shenzhen resident, he was in Shenzhen on vacation from QingDao, where he lives and has a factory that produces furniture. It is unfortunate that no manufacturers from Shenzhen were interviewed, as the city is a center for manufacturing hardware. As the industry that produces and manufactures products is unfortunately lacking in this research, the group that designs, builds and sells these products is very present; the entrepreneurs in the knowledge based and creative sectors. Six entrepreneurs running companies designing and selling high-tech hardware were interviewed and one of them was a female entrepreneur. Their products ranged from LEGO-style do it yourself robot building blocks to an interactive television remote control.

Nine entrepreneurs designing and creating software, Internet and cloud computing related products and services were interviewed. The industries these entrepreneurs are active in are the knowledge-based industry, creative industry, and service based industry; some of

their products span two or more industries, as in the case of Kai Chang, whose video hosting company is related to the knowledge-based, creative and service-based industry.

Unfortunately no women active in the designing and creation of software were interviewed.

The more traditional ways of doing business were often found to be service related, but frequently also relate to the creative industry and the knowledge based industry. Fourteen entrepreneurs in this industry were included in this research. Their businesses and products range from a recruitment agency; international travel service; wine import and education; patent and intellectual property management; vessel maintenance for large offshore oil companies; to the running of a hostel. Half of this group was made up by women and the ages of people active in this industry varied most of all the industries; ranging from twenty-seven to fifty-five, making this industry very diverse in terms of age and gender, especially when compared to the hard- and software entrepreneurs active in the knowledge and creative industries.

### ***Personal Characteristics***

Although certain personal characteristics and personality traits are proposed to be typically found in entrepreneurs in the literature regarding entrepreneurship, it seems that in Shenzhen there is not one typical or perfectly fitted type of person for entrepreneurship. Diverse personal characteristics and personalities have been found in the entrepreneurs, often differentiated on basis of the age and industry the entrepreneur is active in. The personal characteristics of entrepreneurs are in a large part based on the personal story and history of entrepreneurs; individuals are shaped by their context and experiences. In order to not disregard the existence of certain innate characteristics and to prevent the nature versus nurture discussion from getting too much attention in this research, the characteristics of the different entrepreneurs will be accepted without questioning their origin.

### ***Human Capital – Education***

Before going further into the personality traits and personal motivations that influence entrepreneurs in Shenzhen the Human Capital they have and the influence this has on them will be discussed. Starting with the educational attainment it seems that most of the respondents have gained a high level of education as most of them have gained a university diploma. Although the attainment of a university degree signals that the individual has a certain level of intelligence which can be used when starting a business, what seemed to be more relevant was the type of degree or direction the entrepreneur had followed his or her

study in.

Respondents active in the High-Tech sector more often than not completed their university education with subject matter related to their current entrepreneurial activities; making their education directly relevant to their entrepreneurship. For example, Mr. Song, the founder of Techspace, a meeting place where hardware designers can come together and discuss ideas and manufacture products studied electrical engineering. But the relevance of a university major for current entrepreneurial activities was also proposed by entrepreneurs from other industries. Joyce, who studied English language explains this when asked if her study was relevant for her current activities.

*“Yes because my work has always been related to foreign companies and foreigners so if I don’t have this tool; the language tool then I can’t communicate at all. So it helps a lot.” – Joyce, Wine Importer*

Mr. Zhou, formerly employed by the government in one of the richest district of Shenzhen, the OCT, is now the 51-year-old owner of a Shenzhen tourism design agency and small tea shop. He explains that the he still considers the university education in Chinese that he gained many years ago as relevant for his business activities.

*“He is in the design business so he needs to explain his idea. He needs to be able to write his thinking down in letters and the Chinese language he learned, the literature, is very important for him. This is the culture and creation industry, when he learned Chinese he read more traditional books in Chinese. Including his teachers, who maybe qualified in Chinese history and culture added to the factors that help his design business.”*

*– Mr. Zhou, Shenzhen Colourful Tourism & owner Tea shop*

However amongst the respondents there were also a few entrepreneurs that did not consider their education to be of great value to their current activities. One of them, Raintree Wei, a second time entrepreneur with an MBA from Nankai University who has lived in Shenzhen for ten years takes the standpoint even further, stating that his education might even have had a negative effect on his entrepreneurial endeavors.

*“Sometimes when I look back on my experience I think that I will be more successful if I did not take the education; it’s the same case for a lot of my friends and they did not go to any education and they made a very big fortune, when we go to education actually the purpose is to let people work in an organization and not begin their own business; the education is*

*killing the dream of people. Everything from the education is to tell you the risk, the problem and the barrier from the business. So you better not take the education to avoid some risk; then you will be courage and brave, education let people feel they are really weak.”*

– Raintree Wei, *Wine Education and Import*

Aside from the direct impact education has on a persons’ human capital and skillset, being enrolled in a university education can also foster a network of similar minded individuals. Joanna, the founder of an English language institute for children has been friends with Raintree since they were enrolled in the same MBA program. As will be discussed in more detail later, social network ties can in turn lead to people inspiring each other towards entrepreneurship.

*“I graduated from university in MBA and most of my classmates started their own business.”*

–Joanna, *English Education.*

#### Human Capital – Relevant Work Experience

A human capital factor that was not found in the examined literature and consequently thus not taken into consideration when starting this study was the element of relevant pre-entrepreneurial experience. The existence or lack of relevant pre-entrepreneurial experience turned out to be a key influence when starting a business according to many entrepreneurs. Several of the interviewed individuals stated that entrepreneurship should not be undertaken without having gained relevant experience in the industry, this helps gain understanding of how to function and gain contacts in the market but also more basic experiences such as working in a team are acquired. An aspiring entrepreneur should thus have enough knowledge and experience in order to be able to succeed and entrepreneurship is regarded as more than just interest, passion and a good idea. Johnson Wang explains this:

*“I know people that have failed that had a really good ethics, very good passion, very good approach but I think experience in certain area is very important in a business.”*

– Johnson Wang, *Large Vessel Maintenance*

Some entrepreneurs are what one might call opportunity entrepreneurs, individuals that do not necessarily have an exceptionally apparent innate drive or dream to become an entrepreneur, but based on their position in the market and their related work experience had

the opportunity to start their own company. Feifan Yang, the owner and founder of an intellectual property and patent managing company is a prime example of this. Mr. Yang had been working in the industry for over seven years as a patent registration agent. He had operated every part of the process of patent registration and having gained this knowledge and expertise handed him enough confidence in his own abilities for him to start his own company.

### Human Capital – Belief in Personal Capabilities

Having self-confidence and believing in one's personal capabilities are together with having a good team considered important factors by starting entrepreneurs when regarding the long-term successfulness of their company. The focus group best explains this standpoint:

*“First our opinion is that the leader of the team has to make the strategy. Like when in a war the leader of the country has to make decision how to fight a battle, but he needs some generals to execute the order to get more success, its thus a combination. For some little successful economy the personal skills are very important but when you want to get big success or more money then you need to get more people in your team.”*

*- Focus Group*

Believing that the personal capabilities and those of the team members will eventually lead to long term success can instead of being viewed as rational and logical also be considered as a subjective opinion laden heavily with positivity. It is positivity, when considered as a personality trait that is incremental to surviving the many hardships that come with the starting of a business as a young entrepreneur.

*I always tell people that what the situation I am in right now is the best one I can get. I have the best resources now because I can see the value of the resources and thus use them 100%. I use these resources to get my things done; this is why I think optimism is very important to convert some difficulties.*

*- Bill Zhang, Medical Equipment*

### Personality Trait – Positive Person

Being positive person was coded as having a positive outlook on life and it seemed that only one out of the 26 respondents did not have a very positive outlook on life. It was

also this entrepreneur whose business seemed to be on the diminishing side of things. Although it is impossible to derive which was first or if there is a relation at all, his negative attitude and the failing of his business venture entice a connection.

Individuals that are positive and optimistic tend to see more chances, are more eager to take risks and persevere more easily through difficult times. The taking of risks and acceptance of uncertainty are personality traits that can be viewed as related to being a positive person. Without being positive an individual will not take risks or allow uncertainty to exist in his or her business environment because of the fear of negative issues arising. Julie explains in what way her positive outlook helps her to take risks and deal with the uncertainty the making of important decisions creates.

*“Well you got to try, I have confidence about myself and when I think about things that I can do then I will just do it. Sometimes you win and sometimes you lose but you gave your best and you get the best result; even when it fails I won’t feel sorry about myself but if you don’t try then you can’t get anything.”*

*-Julie, International Trade*

#### Personality Traits - Willingness to Embrace Risks & Managing Uncertainty

What is interesting, but also quite logical, is that taking of risks and acceptance of uncertainty is differentiated by industry, age and experience of the entrepreneur. Young entrepreneurs active in the fast moving knowledge and creative industries in Shenzhen are more eager to take risks than older entrepreneurs active in the service industry.

*“Actually the risk has happened in our team in the early of last year and some team members have left the team; I choose to stay and I insisted that we would be successful so I would take the risk. I think its experience and the worst result is to find another job; its no big deal.” – Melody, HiHex*

This eagerness to take risks could be rooted in the fact that young entrepreneurs, on average, have fewer responsibilities than their older counterparts. One of the founders of Daydreamer, a video production company that is currently developing a project management tool, confirms this assumption when asked if he would take a high-risk, high payout business opportunity.

*“Depends on the cost; well firstly I don’t have an own family so I think I will take it*

*and will try.”*

*– Founder Daydreamer*

The avoidance of uncertainty and risks seems to be positively related to a sense of responsibility to care for others. These could be a wife and child, employees, business partners, investors, basically any person who has invested in the business or is reliant on its pro-longed existence. Although being a responsible person can be the quality of a good company leader, it can also lead to taking less risks and avoiding uncertainty, potentially lessening opportunity capitalization. When the statements of forty-two year old, second-time entrepreneur Johnson Wang and an 29 year old Anonymous entrepreneur active in the High-Tech industry are compared, this becomes clear. The respondents are both asked the same question; whether they prefer a highly planned business or one that is uncertain and chaotic at times.

*“I prefer everything as clear as possible before you get involved. Well it’s a personal things, maybe it does not matter, many times you need to take risk but it always works then you like to do it...But when it involves other people in an organization its different because you do have obligations and when you say something you have to mean it; Don’t take risk.”*

*- Johnson Wang, Large Vessel Maintenance*

*“I like uncertainty because it is more challenging. If you already know what you will be like ten years later I think there is no .... That’s why I quit my Phd because when I finish it I will already know the result. If you do anything of which you already know the result then why do it.”*

*-Anonymous, High-Tech Industry*

### Personality Traits – Social Person

Other personality traits of entrepreneurs that were mentioned as important when running a company but that were not regarded as directly influential when starting a business were integrity and honesty. Being an open, outgoing and social person can on the other hand have a positive influence when making the decision to start a business, especially migrant entrepreneurs with few social ties could potentially benefit from being a social person a lot, quickly making new connections, getting inspired by their network, and accessing resources through their contacts.



### Personality Traits – Practical Person

Two last personality traits were often found in the entrepreneurs of Shenzhen. The first is being a practical person; this is someone who does not think in dead ends or problems, but in solutions. An example of out of the box practical thinking is Mr. Fu.

*“During the work I found out that the city had a shortage for these kind of facilities so I thought I could maybe help those people.”*

*- Mr. Fu*

Mr. Fu is the founder of a social enterprise aimed at making Shenzhen more wheelchair accessible by means of integrating location tagging into an online mapping service.

There are many different ways to being a practical person and some of the respondents that are active in the knowledge and creative industry also claimed that being practical was something taught to them in their education; in this way it can be considered more as a skill than as a personality trait.

*“I think I’m more of a problem solver. Being an engineer I would more likely be trying to solve it or fix things, that’s the way I do things.” – Jason, Wearvigo*

### Personality Traits – Independent Person

The final personality trait that will be discussed is the being of an independent person; someone who easily works alone, wants to be in charge of his own destiny and make his own decisions. Mr. Lee, the owner of a music store and musical training center for children explained that since he was younger he always had to care of himself and be independent. He came from a poor family that could barely support him. Having to take care of himself in an early stage in life equipped Mr. Lee with an independent mindset, which together with the desire to work flexibly can be seen as two important factors influencing why he became an entrepreneur.

*“The most one is independence ... when he was a child of maybe 7 or 8 years old he had to make his decision on his own. ...This has been an important personality trait for him; being independent. To be the owner of himself, when he thinks of something he does it. Thinking and then doing; taking action!”*

– *Mr. Lee, Music Store and Music Education*

The individuals that became an entrepreneur because of their independent personality were often the same people that proposed the desire to work flexibly as a motive to become an entrepreneur. The difference lies between the one being a personality trait and the other a motivation; an independent person will most almost certainly want to work flexibly but a person wanting to work flexibly does not always have a very independent personality.

*Motivation: Flexibility*

Having the freedom to decide when to work and on what projects to work can be considered to fall under the motive of flexibility. It seemed that for most entrepreneurs flexibility was an important motive although the reasons for its importance do quite differ as some entrepreneurs desired flexibility because of family conditions; like Joanna who after having her first baby needed the freedom to take care of her child when needed, who is joined in her opinion by Mr. Zhou and a real estate agent.

*“I am a mom and also a wife so I don’t want to be really business and focus 24 hours on work.”*

*- Joanna, English Education*

*“Although he got a high salary and high income in his job he had no time to balance his life; he always had to focus on his job. He likes to arrange his time by himself. Two businesses is busy but he can arrange his own time and he can also arrange what time he want to rest and what time he want to work and time in the weekend he can enjoy time with his family. In the past even in the weekend and holiday he had to work and that was business as usual. These are the key reasons he had to give up his job to run his business.”*

*- Mr. Zhou, Shenzhen Colorful Tourism & owner Tea Shop*

*“She moved to Shenzhen in 1994 and then she took a job in a company to be an accountant. After her baby was born she had to stay at home to take care of the baby so she needed freedom in her occupation to balance her family life and her job.”*

*– Anonymous, Real Estate Agent*

Others desired flexibility because they felt they needed freedom to execute their own ideas on

their own terms.

*“I also want to hold my own destiny because the company I used to work at will command you to do this and do that and I thought that that was very foolish and not the right choice. I was a young person and they are old persons and don’t understand me; I can’t think with these things so I quit and start my own business.”*

*– Bill Zhang, Medical Instruments*

*“Maybe I wanted to try some brand new life. Not just work but I wanted a career to do something new and some new things and maybe I don’t like the workdays to do the same things day by day; its very boring to me.”*

*- Melody, Hihex*

*“If you work for a company you have fixed work times and the work is fixed and you cant add any of you own ideas into your products but if you start your company you can build you own product that you want to share with others.”*

*–Anonymous, High-Tech Industry*

Being able to develop one’s own ideas was also a key reason for Jasen, the founder of Makeblock, to start his own company. Makeblock is a robotics company that makes the building of robots accessible to the general public by providing standardized building materials; the concept is similar to Lego. In his company he gets to work on things he finds interesting, combining his passion for, and interest in, robotics with his entrepreneurial drive for achievement.

*“I think robotics is a high potential area in the future and I also like robots very much so I start. When I was in school I had a very strong will to enterprise so I always wanted to find a chance to start up my own company.”*

*– Jasen, Makeblock*

### Motivations – Passion & Interest

Having passion for your work and being able to select the projects that one finds interesting are motives that according to nearly all of the entrepreneurs active in the creative and knowledge sectors spurred them to start for themselves. Yoon Hoon, creator of Nemo; a

robot that cleans fish-tanks, explains this:

*“Yes well I love art and design. In my childhood dreams I wanted to become a scenery painter and small arms designer so I started industrial design and fall in love with industrial design and photography. So I come to Shenzhen and combine my hobby with my major to do this project.”*

*- Yoon Hoon, Nemo*

But having passion and interest for a certain industry or service does not end with the knowledge and creative industries, several entrepreneurs from the service industry also claimed that starting their business was based on the following of their passion. The best example of this is Mr Raintree Wei. Wei is an entrepreneur who is very passionate about what he does. Wei started as a Wine importer several years ago and decided to that he wanted to introduce a new type of business concept that was lacking in Shenzhen; a wine and aroma tasting and education company. In order to execute this in the most professional fashion possible he has invested over two years of time and a lot of money in to this new project, educating himself and gaining certification through the internationally acclaimed WSET education program. He views himself as a man on a mission, wanting to educate his fellow countrymen in the world of aromas.

*“For the Chinese they notice aroma but for example they are choosing a perfume but they are not choosing it by their taste ... So TastingAnnex can open this part to people, we can tell people how to cherish some things with aroma and to use aroma to change their lives; in their home maybe they can use different aroma to show different moods and in the environment and by themselves to know coffee cigar and wines and essential oils and to use that to make up themselves. In ten years if this business continue on ... part of the mission will be done.”*

*- Raintree Wei, TastingAnnex*

### Motivations – Personal Development, Achievement & Fulfillment

According to him this mission is not about financial gains, status or power but about achieving personal development and fulfillment.

*“I’m that person who thinks that I am decided by some things but I am not a believer of any*

*religion but I believe I am a person to be settled in this path and do this kind of thing and lead this kind of life; I choose to accept that. We can say it's a kind of mission, but the mission is not complete yet."*

*- Raintree Wei, TastingAnnex*

The need for achievement, a drive towards accomplishing things, and possibly gaining power and status in the process were, against expectation, not so evidently motivating for starting a business according to the entrepreneurs that were interviewed. Of the twenty-six respondents only one entrepreneur explicitly mentioned that he enjoys the power and status he gained now that he has his own successful company and went on to imply that this is a motive for a lot of entrepreneurs to start for themselves. When asked if he enjoys the true leadership role with power and status he responded in the following fashion:

*"Yes of course, all the entrepreneurs love this. It's one of the motivations."*

*- Jack, Yunlai*

Regarding achievement as a motive for starting a company several entrepreneurs mentioned this is correct for them. Often though purely achieving things was not the motive, but achieving things that can help the entrepreneur develop personally or achieving things that can help the wider community were the most common motives.

*"I want to be a better person and have a business sense and be able to run a company. I want to be the best business woman, just like Sheryl Sandberg."*

*- Melody, HiHex*

*"Make the world a better place is one of the slogans of the company. When they started the company they wanted it to influence the people around them and do it not just for profit but also influence the society."*

*- Jack, Yunlai*

### Motivations – Contributing to the wider community

The majority of entrepreneurs stated that once they have gained success they would like to contribute to the wider community or give back to society, but seen in this way this cannot be regarded as influencing the decision to start a company. When considering this

motive as having an influence on starting a business only a few entrepreneurs can be mentioned, of these the most prominent ones are: Mr. Song, the founder of Techspace where people can meet to build hardware; Mr. Fu, designer of the barrier free mobility social enterprise helping disabled people; and in a certain way also Joyce, who is making an effort to startup a company aimed at ecological sustainability, but honestly states that money is also important.

*“I think that by doing those kind of projects I can not only earn money but also be beneficial to the society; to the citizens and the environment.” – Joyce, Wine Import and Ecological Sustainability*

### Motivations – Materialism & Financial Gains

Now the discussion will turn to what might be considered by the general public as the first and foremost reason to start a business in many respects; the monetary incentive. Effort was made to ask all the entrepreneurs if they consider themselves materialistic, if they find the city Shenzhen materialistic and what their opinion on materialism *an sich* is. None of the entrepreneurs admitted that they started their company purely for earning money, though some of them did admit that it was an important motive for them, yet this group still made up a small number of the total respondents.

Martin, a twenty-seven year old software developer states that his main motivation is being able to start a company, be a part of the building process and being able to make products that are useful to many persons. Aside from achieving personal fulfillment he admits that money is an important motive for him.

*“The second thing is to earn money, earn a lot of money. If you have money and you have achievement, these two things I think... a third I want me to become more talented... or wise.” – Martin, Software Outsourcing*

During his interview Bill Zhang stated early on that the reason to start his business was mainly because of his wish to be flexible; he wanted to be able to select his own projects. But further on into the interview he also admitted that making money is very important to him. He states the following:

*“I will tell you frankly, I have my own startup because I want to earn money and at the*

*company I used to work at I would not earn too much money in my whole life; so I want to have my own business as early as possible.”*

*– Bill Zhang, Medical Equipment*

An interesting finding is that all of the entrepreneurs that admitted that money was an important motive for them were active in the creative and knowledge industry, mainly focused on high-tech products. Within these industries there were of course also entrepreneurs for whom the monetary incentive was not very important, as Cody Cai, who is one of the founders of Daydreamer explains:

*“If we are trying to make money in a quick way, it’s definitely not this way. We are making a new product. We did not really think about how much we can make or how this city focus on what kind of business. We are just trying to do our best and develop some new tool for this workfield.” – Cody Cai, Daydreamer*

When asked if money was important to them nearly half of entrepreneurs explicitly stated that they are not out to earn money but have other motivations. These statements can be accepted as personal opinions but once applying a critical view it is hard to agree with the fact that money is not an incentive for an individual to start a business at all. The monetary incentive seems to matter to the entrepreneurs in varying degrees but is indeed an important factor for most; this is in line with the statements the focus group made regarding money as a motive.

#### *Personal Views and Opinions - Materialism in Shenzhen and China*

The following statements made by the members of the focus group and other entrepreneurs are not only individual motivations influencing the decision to start a business as most statements until now have been, but are also reflections on the social context of the Chinese society. These statements induce an image of young Chinese entrepreneurs as having fairly capitalistic values, where individuals that work hard on a project or job of their choosing, which repays him in monetary freedom and fulfillment in life, with the possibility of social mobility.

*“I know that you think that Chinese young people love money and earning money and only earning money... No... not only earning money, we have the dream too. If the dream*

*comes through then we will have more feeling about our life and the Chinese word means dreaming and more value of life; not only the money.” – Focus Group*

*“...because no money is no life and we want to enjoy life so we must earn more money. To do what we want to do is very lovely things for us. Earning money for a better future is a lovely thing too.” – Focus Group*

These capitalistic values, with a focus on earning money, are what according to Mr. Song and an Anonymous entrepreneur are the reasons that people migrate to Shenzhen.

*“... I think that Shenzhen is very new and why do people come to Shenzhen? Because of Shenzhen and to earn money, this is why ... Shenzhen is a city for work, for producing things.”*

*- Mr. Song, Techspace*

*“...Shenzhen is a migrant city, you can control your dream. If you want to make money you just do it.”*

*– Anonymous, Real Estate*

Some of the respondents take the standpoint that Shenzhen is all about money even further, enlarging the scale of the argument to the whole of China. They propose that China can be considered more capitalistic than the U.S.A. and that Chinese people do not only want to earn a lot of money in order to gain a better life, they love money so much that they worship it.

*I think that in China there is more capitalism than in the U.S. because people here talk about money more and the values are based on money more I think. I think its capitalism already ;capitalism inside and what is not capitalism is in the schoolbooks.*

*– Joanna’s Husband, Portfolio Manager*

*“Yes worship of money and the worship of Mao Zhedong because he is printed on the RMB. Some of the taxi drivers will put this on their windshield; we worship him.”*

*- Bill Zhang, Medical Equipment*

A possible, and highly tentative, explanation for this is offered by Martin, who states that the worship of money could be due to the lack of a unified religion, vision or belief in China. According to him people will always look for a meaning in life, something they can belief in and something they can trust. Because there is little religious cohesion in China there



are a lot of people that do not have something to belief in, they thus belief in something close to them, something that is real; money.

*“You know most American guys trust Christians, European guys trust Christians and in China most people trust money. Even in India people trust Buddha; Indian guys don’t want to work because Buddha said money is no use. Its like that.”*

*– Martin, Software Outsourcing*

Bill Zhang aids Martin in his argument regarding a lack of faith in China. He makes reference to Max Weber and the protestant work ethic in Europe in order to build his argument regarding religious systems that relate to economic systems. According to Bill Chinese people have always had an entrepreneurial drive. Instead of following a religion they focus on how to earn money and to take care of themselves and their family, perhaps this can be viewed as a cultural characteristic.

*So I think that doing business and the worship for wealth is maybe a basic instinct for Chinese people...maybe the worship for wealth is a basic instinct for Chinese people.*

*– Bill Zhang, Medical Equipment*

When these findings were presented to the focus group the members agreed with the statements that China is very capitalistic and that people believe in money, but according to them this is all in light of achieving social mobility.

*“In china people belief in money... maybe sometimes we love money and we earn money because we want to have a better life in the future. We want to work hard with our country to believe that in the future we can have it better.”*

*- Focus Group*

In spite of the sentiments and dispositions several young entrepreneurs offered, the fact remains that China is still a communist country with a one-party, no-election, political system. A system in which social mobility should not be required because all inhabitants are equal and the following of capitalistic values is something that is frowned upon.

When asked if the Chinese government should adopt policies based on more western capitalistic values or keep to more traditional Chinese values, opinions were mixed. Some stated that China should focus on more traditional values and some stated that more capitalism was needed in the future, others offered a third way in which China should focus

on creating its own path, combining traditional values with western capitalistic values. Regarding increased cooperation with other Asian countries and the Western world nearly all entrepreneurs agreed that is a good thing.

*“I think everything, whether it’s a country or a human has the things they are good at and the things they are not. If everyone is focusing on that they are good at then overall there is a better society... There’s a lot of things where cooperation definitely leads to more synergies.”*

*- Jason, Wearvigo*

### ***Social / Familial network***

Similar to the findings related to the personal characteristics of entrepreneurs that were presented in the previous chapter the findings related to the influence of a social network are in many ways also personally bound; every individual has a personal social network. But some of the findings were more apparent than others and can be considered as more generally influencing the entrepreneurs and residents of Shenzhen.

### **Access to Start-up Capital**

For most of the entrepreneurs interviewed in this research the social network is very useful during the startup phase; friends and family can provide access to start-up capital when personal financial resources are not sufficient and external finance is not available. Entrepreneurs from diverse industries stated that they made use of capital made available by family and the members of the focus group acknowledged this finding.

*“It’s normal to get this yes. When there is no money to start ... Maybe from the family like mother, father, sister, brother’s help, but maybe not from friends. If the money I borrow is from my friends then it’s not so good in China, maybe I can borrow it from my family but not from friends. We always talk about what we want to do with my friends and maybe we can discuss it and we can see the different points but money we don’t get from friends.”*

*- Focus Group*

Although the members of the focus group point out that obtaining capital from friends is something that is not culturally accepted in China some of the respondents stated that during the startup phase they did borrow sums of money from their friends. As stated by the members of the focus group it is normal that the social network of an entrepreneur serves as backup during the starting up phase. When an entrepreneur is lacking certain skills or knowledge, his or her family and friends can be counseled in order to learn how to properly run a business and can assist with problem solving.

*“And my friends are usually who I first turn to when I need some help. For example when I need an IOS developer I turn to my friends who study computer science and ask them if they have any friends that want to join a startup or we need a video crew and then I also first turn to friends and ask if they have time to do it or have friends that would want to do it.”*

*- Jason, WearVigo*

*Family members or Friends that can provide assistance*

The assistance granted by friends and family to business founders can be divided into two types, professional assistance and affective assistance. The professional assistance granted by family members and friends often comes in the form of advice or recommendations, and even though the family members of an entrepreneur sometimes do not have much knowledge of the industry in question their opinions were taken into consideration nonetheless. Johnson Wang, a forty five year old second time entrepreneur who used to be employed as a Venture Capitalist in She'ku district has in the past year started a large vessel maintenance company. Mr. Wang got involved in this industry because had been working in a similar company in the past years and saw a business opportunity. His company employs five divers that make repairs and routinely maintenance large ships. According to Johnson a social network is very important during the startup phase, when a company is in a more mature and stable state it can depend on itself better but when it's still growing all available resources need to be used. Johnson often gets advice on legal, financial and business issues from his family and friends.

*“Yeah sure every advice is always a blessing. If I listen carefully I have to think about it, and I think I do follow some of the suggestions”*

*- Johnson Wang, Large Vessel Maintenance*

*“I think a social network is always helpful because you can get a lot of information about ... what kind of ideas are good and which are better and it can refine an idea for you and argue with you; sometimes it can be very harsh because they will find it rubbish but that also gives good advice and feedback and you feel accepted and make your product better.”*

*– Anonymous, High-Tech Industry.*

The process of starting a business can be highly stressful for young and inexperienced entrepreneurs. According to certain respondents the affective assistance and support granted by predominantly family members, and to lesser extent also by friends, was found to be of great help to them. A respondent that wishes to remain anonymous explained that without the support of his family he would not have been able to quit his PhD and start a business. This entrepreneur followed a PhD in Hong Kong University for Science & Technology after graduating from Beijing University, and during his PhD decided that he

would start his own company in Shenzhen.

*“we learned how to manage a company and start a business from friends”*

*- Anonymous, High-Tech Industry*

As stated previously a lot of affective assistance is provided by family members. In some cases family members have founded a company together or work together in a company one of them has founded, thus combining their personal and professional lives. This is the case for Joyce, who together with her brother has started a wine importing company. Another respondent of who the English name will be kept anonymous has together with her husband started a real estate company. She states that without her husband and his contacts in the industry they would not have been able to start their company.

In contrast to fulfilling a supporting role the family members or friends of certain entrepreneurs did not approve of them starting a business. This was the case for three of the female entrepreneurs. One of these female entrepreneur that experienced negative recommendations from her family was Melody, whose parents did not agree with her decision to quit her job in Huawei, a large telecom company, in favor of starting her own business. But also Miky, a 28 year old entrepreneur from Hubei, a province in the center of China, stated that her mother did not approve of her starting a business and thought she should just marry someone and not get herself too occupied and stressed with work. What is intriguing is that her father, uncle and former boyfriend are the individuals that instigated and inspired her entrepreneurial undertakings according to Miky. Two more female entrepreneurs stated that their current or former partners had a large influence on them when they decided to start their own business.

*“...for example my husband is not him then I can't start my own business. He gave me the force to insist.”*

*– Joanna, English Education*

*“Yeah, actually I have a friend and he is French, he owns a shop; a small shop. He sells phone accessories... Well actually I started because of him, because he asked me to buy something from China and send it to him; that's how I started.”*

*- Julie, International Trade.*

### Entrepreneurial Contact & Entrepreneurial Culture

Having a family member or friend that has started a business can have a direct or

indirect influence on an individual towards becoming an entrepreneur, inspiring that individual towards undertaking entrepreneurial activities. The way in which people get inspired by one another could be considered as an element of an entrepreneurial culture. According to several respondents the residents in Shenzhen often discuss their entrepreneurial ideas with each other, influencing each other in the process; Miky and Jason explain this further.

*“Shenzhen is a city where people come with dreams and to realize things. They all work very hard and they are in diverse readings by her and she feels really supported by them and also she is familiar with the industry so she feels like that is something she is good at.”*

*– Miky, Convention Travels*

*“People come here and have a sort of mindset of creating and building and making things happen so there is a whole culture around that and people making and thinking: I want to do this ... I think that forms a culture where you get influenced by people.”*

*- Jason, Wearvigo*

By means of relatively simple communication entrepreneurs get inspired by the peers in their social network; their friends, business contacts and family thus have an effect on their personal motives and aspirations. According to the husband of Joanna everybody talks about making money and starting businesses in Shenzhen. When one compares this to other cities like Shanghai and Guangzhou, where more conservative and traditional elite people live this is an advantage of Shenzhen for creating innovation and new ventures.

*“I think I have a lot of friends that have started their own business. Starting your business is quite a culture here in Shenzhen.”*

*- Eric, Wealtree Financial*

*“The culture of Shenzhen is similar to Silicon Valley, it encourages failure and success.”*

*-Yoon Hoon, Nemo*

### ***Institutional Environment***

Unlike the influences of personal characteristics and the social network the effects the institutional surroundings have on potential entrepreneurs is equal to all Shenzhen residents, in theory. In what way the institutional environment of Shenzhen influences entrepreneurs is related to a plethora of factors and these were discussed in great detail during the interviews.

### **Access to Financial Resources**

First of all, when starting a small-scale business it seems that bank loans are extremely hard to acquire in China. This statement holds for Shenzhen as entrepreneur James Tang, who owns a building material company, explains when he was asked if he made use of a bank loan when starting his business.

*“...its really difficult for a new company to get a loan from the bank.”*

*- James Tang, HomesDeco Ltd.*

None of the twenty-six entrepreneurs interviewed in this research stated that he or she made use of a bank loan. Another reason for this is that when a bank loan is available a starting entrepreneur often has to put his personal belongings up for deposit. It is understandable that on these terms a young entrepreneur, with few financial resources but in possession of a house could be reluctant to offer this up as a deposit and be personally liable in material sense if any entrepreneurial failures occur in the future. Owner of a wine tasting and import business Raintree Wei explains this in detail.

*“We would like to, but a bank loan is not easy to get, I don’t know if you studied the loan law of China but it’s like that. They will not give a loan to some small company. But that does not mean that the company cannot get a loan, it can get a loan but the problem is that you need to mortgage with your personal apartment... business is business and apartment belongs to personal; this is why we don’t use this way to get a loan.”*

*- Raintree Wei, TastingAnnex Wines*

Jason, a 24 year old entrepreneur born and raised in Shenzhen, whose parents came to Shenzhen in the early waves of migrants to the city in the 1980’s and who after studying in the U.S. has come back to Shenzhen to build a product he designed during his final Bachelor project confirms this statement.

*“Not bank loans. Probably they don’t work for startups ... Well we started with Haxlr8r, I*

*told my co-founders like hey guys if we get funding lets quit our jobs, our fulltime jobs and come and do this”*

*- Jason, Wearvigo Wearable Devices*

Instead of making use of a bank loan Chinese entrepreneurs in Shenzhen often make use of their own funds or family funds, this will be discussed in further detail later. When available to them they enjoy financial support from one of the readily available Venture Capital firms or Angel investors in Shenzhen.

*“So we got into Haxlr8r and went straight into our coming here to build Vigo and then we also did another round with some VC firms later on.”*

*- Jason, Wearvigo Wearable Devices*

### R&D Transferability & the Supply Chain

According to Jason the main reason that they decided to come to Shenzhen was because they got into the Haxlr8r program; they were mainly there to build and design their product and for manufacturing. For the industry Jason operates in, the high-tech knowledge and high-tech creative industry, a lot of hardware is being built and designed in Shenzhen. For this industry Shenzhen is often claimed one of the best cities to start a business in in China, maybe even the best in the world.

*“...the supply chain here, the hardware supply chain is the most enormous in the whole world; we have a few very big companies. So if we want to design hardware we are just using 50 yuan ... and we buy some electronic component from Huaqiang Rd and then we go to two other places and they did not have to mail it to me; it just takes one day. We can buy these things and the next day we adjust it and can work well; in this way it is very affordable.”*

*– Bill Zhang, Medical Instrument Developer*

Huaqiang Rd. is the hardware epicenter of Shenzhen. This street and its surrounding area consist of large shopping malls filled with everything related to hardware; available products range from the smallest semi-conductor to finished high-end computers and electron microscopes. This provides a framework of suppliers and buyers that make the research and development process of going from an idea to an actual commodity or product easier when compared to other large international cities like Hong Kong, Beijing and Shanghai.



Government Policies & Programs enabling Entrepreneurship

However, access to the world's most expansive hardware supply chain does not help or influence an individual to start a business when their industry concerns English language education to children, patent and intellectual property management, or a recruitment agency for young foreigners. What is more, a lot of the government policies designed to help young entrepreneurs start their business are focused on entrepreneurs operating in certain industries often related to the development of high-end technology, software or hardware.

*“Our country has the policy to encourage the creative and new thing people but it does not help the companies in this industry very much.”*

*- Feifan Yang, Patent and Intellectual property management.*

Mr. Yang is a 31 year old entrepreneur who started his business mainly because of his work experience in the field, the opportunities he saw in Shenzhen, and the wish to develop himself personally, unfortunately the industry he operates in is not subjected to many supporting government policies. But although they might not be supported in financial terms by the government it was stated that the absence of government interference for some is enough reason to start a business in Shenzhen because this opens up the market for new entrants.

*“If I open my business in my hometown maybe I will get trouble from the government, so keep us alone is already enough and already thank them for that.”*

*- Raintree Wei, TastingAnnex Wines.*

Unlike Mr. Yang and Mr. Wei, Eric from Wealtree does operate within the government supported industries. Eric is a thirty-year-old Chinese entrepreneur that studied in the U.K., gained working experience there, and then came back to China to start a company in Shenzhen. He spent his teenage years in Shenzhen and came back to the city to start a company there because according to him the city is full of opportunities and challenges. The interview with Eric took place inside the Qianhai incubator, a government backed Business Park for young entrepreneurs and their startups, this is where his office is located. He explains some of the ways in which government policies support entrepreneurs.

*“There is a lot of funding support and we can ask some government grant for us that can help us to grow up; this is what they are doing now. They also offer us some place like here where you get a six month free office so you can start your business easier and to give a young company a lot of test allowance and government grants.”*

– Eric, Wealtree Financial Startup

### Market Openness

The absence of government interference and openness of the market are important factors when considering a place to start a business for an entrepreneur and can be of enough influence to some entrepreneurs to make them start a business in Shenzhen even when not eligible for supporting government policies. The decision to focus on certain industries has not been a local government decision; this is national economic policy as Joyce explains, and she is joined in her viewpoint by Martin, a twenty-seven year old software developer.

*“Now Shenzhen’s position in the country has laid a solid basis for high technology field and it’s the creative center or will become the creative center of the country or even the world. I think the government does a good job in this.”*

*- Joyce, Wine Importer*

*“In recent years the Chinese government has put more and more time to support the high tech industry because our economy has some problems. The time has passed and the GDP growth should be based on high tech industries, so they give us more and more support; especially in the past two years.”*

*- Martin, Software Outsourcing*

### Market Openness: Migrant City & the lack of Guanxi

Although Shenzhen is considered to be a paradise for hardware start-ups and companies in high technology, entrepreneurs from all different sectors and industries are positive about the influence the institutional environment of the city has. One of the things attributing to this is the history of Shenzhen as a Special Economic Zone and migrant city that has always had pioneering government policies supporting this in the form of easy Huoku transfer to grant official residential status to migrants. Entrepreneurs from different industries are able to benefit from the fact that Shenzhen is a young city full of high skilled workers, and this large pool of potential employees was explicitly stated as a positive attribute of the city for starting a business by the majority (18/26) respondents. The human resources available in the city create a large, diverse young work force that is dedicated to working hard and achieving what might be considered the Chinese equivalent of the American Dream, aptly referred to as the Chinese Dream by some.

*“It’s a very big help and very important. These migrants are very important because they come from different provinces in China. They have an open mind, work hard and have a attitude are positive and they are willing to service others.”*

*- Mr Zhou, Shenzhen Colorful Tourism & Owner Tea Shop*

But this hard working mentality is not limited to the employees and employers alone, the government of Shenzhen appropriately also maintains a highly efficient work attitude. Melody, a twenty-seven year old female entrepreneur, came to Shenzhen to do a high-tech startup with a few of her alumni from Hong Kong University of Science and Technology because, according to her, Shenzhen has more opportunities for young business people not oriented towards finance or real estate than Hong Kong. When asked if the large number of migrants in Shenzhen influences her business she stated:

*“Yes of course because this makes the environment of Shenzhen more fair and the government works more efficient and effective...In Shenzhen there are a lot of people from different cities coming here and they get the fair changes to do what they want to do, then the government also opens the market and the person may focus on what they do and not on their family and background.”*

*- Melody, Hihex*

As stated above by Melody, the fact that there are a lot of migrants also influences the way in which people are able to undertake entrepreneurial endeavors in another way, because of the lack of deep-rooted social ties and old informal networks the existence of Guanxi is very limited in Shenzhen.

*“In Shanghai and Beijing, which are like inland cities, they focus more on relationships. When you have this kind of relationship its really helpful but in Shenzhen when you work hard you can be successful.”*

*– James Tang, HomesDeco Ltd.*

*“...Shenzhen (ed.) has a lot of freedom and its unlike other old cities like Shanghai or Guangzhou where people say okay you migrated and we are local so we look down upon you; in Shenzhen this kind of concepts never exist so with this concepts, with these ideas and common sense, people feel free and feel free to talk about anything.”*

- Joyce, Wine Import

The reliance on Guanxi in other large cities with strong capitalist sentiments, like Beijing, Shanghai and Guangzhou, cities that have a rich history of internationalism and trade, restricts them from having an open market; these Guanxi social ties do not only run between entrepreneurs but cross governmental barriers as well. The focus group yielded similar sentiments regarding the openness and accessibility of Shenzhen for young entrepreneurs and people seeking to achieve social mobility.

*“Shenzhen is a very young city and many people come from different cities in China. In Shenzhen there are no local people but in Beijing and Shanghai, the people that are from Beijing and Shanghai have a feeling: I am better, and you are not. Shenzhen is more open and more kindly so we can do the downstairs to up.”*

– Focus group

Physical & Ecological Environment

A factor that beforehand was not regarded as an important or relevant was the ecological environment of the city but several respondents mentioned that the quality of life provided by the natural environment in Shenzhen was a reason for them to start a business in Shenzhen and not in Guangzhou, Shanghai or Beijing.

*“By the way the Shenzhen environment is very good for startups because if you run a startup in High tech industry the pressure is bigger. Here Shenzhen has an advantage because it is a coastal city with beach and beautiful mountains and the air pollution is lighter than in Shanghai, young people can thus do a lot of outdoor sports in Shenzhen; this is very good.”*

- Yoon Hoon, Nemo

Yoon Hoon is a twenty-seven year old entrepreneur currently enrolled in the Haxlr8r incubation and development program and is designing a robot to clean fish tanks. He started his company in Shenzhen six months ago and originally he is from the north of China but came to Shenzhen because he wanted to start his own company designing hardware products; according to him Shenzhen is the best place to do that. His opinion of the worth of ecological environment for starting a business is shared by Martin.

*“Shenzhen in this is very good, maybe it’s the best in China, best city in China. Traffic is very good and there are some mountains and oceans and gardens where you can relax. I think Shenzhen is the best city to start a new company in China.”*

*-Martin, Software Outsourcing*

Martin raises a key issue, that of the worth of proper transportation. According to Joyce, a thirty-seven year old female entrepreneur that works freelance for an American company, has a wine import business with her brother, and is developing a business towards ecological sustainability in China, access to proper public transport and a good infrastructure can be considered decisive issues influencing people on where to start a business. She distills this from the process by which people choose a location to settle down, once settled down people more often than not start a business in the location they live; more favorable living conditions thus influence an individual in deciding where to become an entrepreneur.

*“But okay, compare it with Guangzhou, Guangzhou also has a lot of opportunities and chances for people but not as much as Shenzhen. For the natural environment like transportation and infrastructure and also the air Guangzhou can never compare with Shenzhen at this moment. That’s what I say, Shenzhen has a strong capability for competition.”*

*- Joyce, Wine Importer*

### Cultural & Social Norms

Joyce chose to settle down in Shenzhen because the population is young and the city is full of opportunities and rich in energy, according to her there is no other place in the world where she would rather live than Shenzhen. This young and energetic population of Shenzhen creates, by interacting with each other, an own set of norms, values and attitudes (Lu & Tao, 2010). This cultural part of the environment of Shenzhen; its cultural norms, values and the general attitude people have towards entrepreneurship can influence young entrepreneurs and their decisions. In China it used to be the norm that once one had finished a high education a high paying job in a corporation or enterprise would be attained and in accordance to this negative sentiments were held towards entrepreneurs.

*“In China if somebody is really professional they choose not to create their own business but work in some big company or for the government. If they choose to create a business, in*

*China there is a saying: If you choose to create a business you are actually not good enough but you do want to stay in what you are.”*

*– Raintree Wei, Wine Education & Import*

These sentiments are changing rapidly and according to various respondents the only persons that are prone to give them negative opinions regarding their entrepreneurial activities are their elders, who are scared of the risk and uncertainty involved in entrepreneurship and would rather see their relatives in a stable job. The general attitudes of Shenzhen residents towards entrepreneurship are positive and supportive according to the respondents, as Jack, Joanna and Miky explain:

*“Yes, in the past all the people wanted to be an office guy in the government but now people in China are willing to be an entrepreneur and want to have their own business.”*

*– Jack, Yunlai*

*“Its very positive especially for the young people but for the old guy like my father its quite negative; oh you don't have a steady income anymore, nothing is certain in the future, maybe you will have lost everything in one year. But for young people its like: oh good guy.”*

*- Joanna, English Education*

*“I think most of the Shenzhen people support the people who start their own business and they do appreciate them following their dream.”*

*- Miky, Convention Travels*

### Summary - Positive factors vs Negative factors

The accessibility of financial resources, human resources through migration, institutional openness provided by the government, freedom of reliance on Guanxi, strong R&D development transferability by means of the world's most extensive supply chain, and positive sentiments towards entrepreneurs provide a setting where young people with an entrepreneurial dream have the possibility to be influenced in positive sense and entrepreneurship has a chance to flourish. It is not unconventional to state that Shenzhen is the best place in China to start a business; when asked if they would have started a business if they lived in another city only two respondents replied that they certainly would have. Based on these findings an argument could be constructed as to why the institutional environment of

Shenzhen could be of most influence to why people start a business there.

On the other hand, the institutional environment of the city has certain issues that negatively influence young entrepreneurs. Firstly the taxes in Shenzhen are considered very high, but this is something that seems to be recurring for the whole of China in multiple statements by respondents. Also, young entrepreneurs consider the high land and rent prices for office space a negative point of Shenzhen because they drive up the fixed costs for running a business.

*“It’s easy to find an office in Shenzhen but the rent is not very cheap. Well when you say it’s expensive its compared to other cities but in Shenzhen it’s the market price so when you are thinking to open an office you already have the financial basis which makes it affordable.”*

*- Joyce, Wine Importer*

Another factor that is driving costs up is the cost of human resources. According to the respondents Shenzhen has the highest minimum wage in the whole of China, and this is increasing each year. High taxes, high personnel costs and high rent create a substantial amount of fixed costs that can negatively influence the starting up phase for small companies. According to long term resident of the city and owner of a wine import and education center Raintree Wei these high costs could be killing the potential of small businesses.

*“...we worry about the business opportunity in Shenzhen because... the ideas are not like before. The problem is the living cost and the business running cost is very high, if you are running a business in Shenzhen I can at least run three business in my hometown”*

*- Raintree Wei, Wine Education*

Aside from relatively high business costs in Shenzhen, the educational accessibility and the international focus of the city is not up to par with other large cities such as Beijing, Shanghai and Guangzhou according to the respondents. Educational accessibility is seen in terms of access to business classes and consultants, but also the availability of professional higher educational institutions such as universities and business schools.

*“In the education part when compared to Shanghai or Beijing, and even some cities like Wuhan, it is not enough here in Shenzhen.”*

*- Feifan Yang, Patent and Intellectual Property management*

Most of the interviewed respondents had gained their education from a high-ranking university in another city and had never visited a business class or seminar and or made use of a consultant in Shenzhen. The few entrepreneurs that had visited a seminar or business class stated that the main value they gained from it was related to the broadening of their social network.

The negative issues associated with the institutional environment of Shenzhen do not diminish the fact that the institutional environment of Shenzhen has many benefits according to its entrepreneurs and residents. Benefits that can be seen as influencing the decision to starting a small-scale business in Shenzhen, by some its dubbed as the best city in China to start a business. On most factors that were discussed the respondents see Shenzhen as superior to Beijing, Shanghai, Guangzhou and also Hong Kong. The husband of Joanna explains this, he is a portfolio manager in an investment bank and his wife Joanna has started an education company focused on teaching children.

*“For jobs in Hong Kong, it’s not that easy to work there because of the identity problem. There are a lot of issues, the economy here is growing faster than in Hong Kong and there are more job opportunities in Shenzhen...I think it’s like a middle aged man and a teenager; like that you know.”*

*- Joanna’s Husband, Portfolio Manager*



## **Analysis**

The previous results chapter has provided an insight in the opinions and dispositions of a diverse group of mostly young entrepreneurs. Before trying to derive conclusions based on the results and answering the research questions, the procurement of an intermediary analysis phase will prove itself useful in reflecting on the results and possibly providing new insights. In this way the analytical, ethnographic, and design cycle are brought together to form the qualitative research cycle (Hennink Hutter & Bailey, 2011). Similar to the results the personal traits, motivations and human capital will be discussed first. Relevance and time constraints have guided the decision to not discuss all of the previously presented results in this chapter in detail but to highlight some of them.

### ***Personal Characteristics***

The need for power, need for status and desire to contribute to the wider community are motivations for starting a business gathered from the research done by Jayawarna (2013). The choice was made to include these factors in the research even though there had been no previous grounding of them in Chinese literature. Of these three motivations the desire to contribute to the wider community was mentioned by a few entrepreneurs as a reason to start a business, and also mentioned by the majority of the respondents as a goal for them once they are successful. Although it can thus not be considered a primary motivation to start a business for most entrepreneurs, the fact that the majority of the respondents mentioned an affinity with contributing to the community and that the need for power and need for status were only regarded as important by one respondent is interesting. The importance of contributing to the community and the lack of previous appearance of power and status motivators in Chinese entrepreneurship literature and the current research can perhaps be attributed to differences between Western culture and Chinese culture.

In their study of Chinese entrepreneurs in Singapore Lee & Chan (1998) conclude that, as cultural influences permeate every aspect of human life and its behavior, correct understanding of cultural values could definitely enhance the effectiveness of research regarding entrepreneurs. Explanation of why the desire to contribute to the wider community is seen as an important factor and the need for power and status not as motivators can possibly be found in the socialization process towards group orientation. In no Chinese society do individuals work primarily for individual benefit, it is always the group that should gain the intended enrichment and throughout most of Chinese history the family, economic

family, or collectivity and all descendants have been the primary beneficiary (Lee & Chan, 1998).

This collectivist-socialist heritage of the Chinese entrepreneurs stands in stark contrast with the individualistic-capitalistic orientation of the traditional Western entrepreneur but can possibly explain why the need for power and the need for status were not mentioned as motivations by the respondents and the desire to contribute to the wider community was. Viewed from a different angle the desire to contribute to the wider community and the communal concept of contributing to society by being an entrepreneur can also be regarded as part of the increase of globalized faith in entrepreneurship; a belief that peoples' pursuit of entrepreneurial endeavors will benefit themselves and society (Kew et al., 2013; Schøtt et al., 2015;).

Aside from cultural differences between entrepreneurs in China and entrepreneurs in Western countries there might be other differences or similarities to be found. Using research provided by the Global Youth Entrepreneurship Monitor it was found that, similar to the findings in this research, the risk willingness of entrepreneurs maintains a negative relationship with age. Opportunity alertness and self-efficacy, of which the latter relates to believing in ones' capabilities, were also reported to diminish with the increase of age. Certain trends that are diverging globally thus also seem to be of effect in China (Schøtt et al., 2015).

From the interviews it seemed that many entrepreneurs had different opinions regarding the gaining of financial rewards as a motivation for starting a business, the results regarding the influence money has for entrepreneurs towards starting their own business should thus be analyzed further. As has been displayed in the results several individuals from the hard- and software sectors admitted that the potential financial gains awarded to them when becoming an entrepreneur were an important motivation for them, whilst several entrepreneurs from other sectors stated that money was not an important motive for them.

Applying a certain level of critical analysis to the opinions of the latter group can result in the viewpoint that a monetary incentive is always present for entrepreneurs and that individuals stating that they have not become an entrepreneur to earn money are possibly giving socially desirable answers. On the other side of things, a lot of the respondents had gained a high level of education and thus had access to potentially high paying professional jobs in the corporate world. The fact that they made the decision to start for themselves and not work for a salary in a large company adds legitimacy to their claims regarding the weight of financial motivation and their desire for independence and flexibility. A similar argument

can be applied to the lack of status and power as motivators for starting a business in China; individuals that see these factors as motivating are most likely better off choosing a career in the Communist Party or the Chinese corporate world as these are steeped in hierarchy and maintain a large power distance (Hofstede, 1991,1993; Fernandez et al., 1997).

### ***Social / Familial Network***

When the amount and sheer size of the results from the personal traits and the institutional surrounding are compared with those of the social and familial network the difference in size of findings between the former two and the latter should not imply that the social factors are less important. In concurrence with the theories by Lu & Tao (2010), Yueh (2009), Anderson (2005) and the Global Entrepreneurship Monitor the respondents often received professional and affective assistance from their family and friends, who supported them heavily in the start-up phase. Similar to the rest of South and East Asia a large share of the required financing in the start-up was provided by family and friends of the respondents (Schøtt et al., 2015). Although theory by Au & Kwan (2009) stated that friends potentially contribute a large share of informal financing in the start-up phase the members of the focus group explained that this is culturally not accepted in China. No one truth seems to be available on this contested point because several other entrepreneurs admitted that they had received start-up capital and loans from friends.

In the theoretical and pre-empirical part of this research effort was made to explain in detail what the concept Guanxi entails. Although it is an important concept in Chinese entrepreneurship literature and Chinese society as Guo & Miller (2010) explain, the relevance of Guanxi as a factor influencing individuals when starting a business was found on a very minimal scale in Shenzhen and for that reason was not even discussed in the network results section. The respondents mostly agreed on the statement that in Shenzhen, the influence Guanxi is kept to a minimum because of the migratory history of the city; deep-rooted social ties and old networks of powerful people are thus not in the same way present in the young city that is Shenzhen as it is in other large cities.

But the lack of focus on Guanxi dynamics in the network section of the results is also due to the fact that most respondents mentioned Guanxi when discussing the institutional environment; especially when the openness of the market was the point of attention. When discussed in front of an institutional backdrop Guanxi networking and the resulting behavior seemed to have a negative connotation to it, sparking thoughts of corruption and market restriction; problems which Shenzhen, unlike other large cities, does not have many of

according to the respondents.

From the way the respondents introduced the concept Guanxi during the interviews the link between the social network and the institutional environment becomes clear. The influence a social network has on a person and his or her motivations becomes noticeable in the concept of the entrepreneurial culture. What is very interesting is that the concept of entrepreneurial culture not only provides a link from the social network to the personal motivations, but also from the institutional factors of influence to the personal motivations because the cultural and social norms are what the entrepreneurial culture provides and at the same time is based on. The concept of entrepreneurial culture thus ties the three categories of influence together; through interaction in a social network entrepreneurs create social norms and values which can then influence individuals towards their decision to start a business in Shenzhen. The concept entrepreneurial culture is familiar to the concept of mixed embeddedness as introduced by Kloosterman et al. (1999; 2003; 2010) as the approach combines the micro level of the individual entrepreneur with the meso-level of the local opportunity structure and links the latter, in a fairly loose way, to the macro-institutional framework.

The interaction resulting in an entrepreneurial culture can sometimes be tied to a location on a small scale and in that way can be more easily observed; the different types of education, for example business classes or seminars, provide a setting where connections are made, social ties are formed, people nurture their network and can get inspired by each other. This happens in much the same way as in a business incubator for start-ups, where entrepreneurs and their young companies are located in close proximity to each other; this can create a vibrant and inspiring atmosphere aimed at innovation and growth. This location bound social networking based on government policies, entrepreneurial contact and assistance displays another example in which the categories institutional environment and social network can have an influence on each other and ultimately on the personal factors influencing and motivating entrepreneurs towards starting a business.

From the interviews it seemed that a part of the cultural and social norms created and sustained in Shenzhen provided cultural inhibitions that negatively influenced women towards becoming entrepreneurs, or at least made it more difficult for them than for men. It is impossible to conclude if these problems are Shenzhen related, but it is most likely that the cultural sentiments depriving women from the same treatment as men are widespread across China. The Global Entrepreneurship Monitor acknowledges that globally women are, among other factors, more often socially and culturally constrained, thus participating in

entrepreneurship less often (Schøtt et al., 2015).

### ***Institutional Environment***

Regarding the institutional environment of the city, Shenzhen has a few key points found only there, making it a special location for Chinese, Asian, and maybe even global standards in entrepreneurship. This is in line with the finding that Xu (2010) proposed, who comes to the conclusion that as a whole, the institutional environment of Shenzhen is relatively very good for entrepreneurial undertakings. As has been explained previously the existence of the world's most expanded supply chain makes the city unique, added to this comes the culture surrounding entrepreneurship and the most open market found in China to form a set of powerful pull factors drawing Chinese dreamseekers from all over the country to Shenzhen. What the city lacks compared to other large cities that compete on an international level is an international focus and a large financial market; when compared with Hong Kong, Singapore, Beijing and Tokyo, Shenzhen still projects the image of a manufacturing city in development, but with the planned development of the finance and technology area in Qianhai this has the potential to change. Perhaps the city can be seen as growing up from being a teenager, which was growing very fast and endlessly through manufacturing, towards being an adult; a fully developed city with an international focus and a developed market that comes with high costs all round.

### ***Theoretical additions***

In this research that proposes different personalities, motives, human capital, institutional surroundings and social networks as influencing the decision to start up a company four archetypical categories of Shenzhen entrepreneurs have been discerned; the Interest & Passion driven entrepreneur that is driven into entrepreneurship by his interest and passion for something; the Opportunity driven entrepreneur that does not necessarily have any typical entrepreneurial traits except for capitalizing on opportunities provided by the institutional environment; the Personality driven entrepreneur that is driven into entrepreneurship by his personality traits; and the Socially Driven Entrepreneur that is influenced mostly into becoming an entrepreneur by his social and familial network. These categories are relatively similar to the ones proposed by Lee & Chan (1998). The *Achiever* entrepreneur they propose resembles the Personality Driven and Interest & Passion driven entrepreneurs in this study; the *Networker* entrepreneur is similar to the Socially Driven entrepreneur and the *Hard Worker* they propose resembles the Personality Driven and

Opportunity Driven entrepreneur categories defines in this study. When categorizing the different respondents in to these four categories it is often the case that an entrepreneur will be a combination of two categories and for some even three categories can be applied.

Based on the results and further analysis of certain findings multiple factors have been empirically grounded in the case of Shenzhen; these can be considered additions to the literature. Because of this, several changes to the tables containing the factors of influence should be made. The factors independent person and practical person have been added to the personality traits. Lee & Chan (1998) proposed the need for independence as a motivation in their research; when seen as a motivation independence was considered as part of the need for flexibility, but seen as a personality trait it can be considered as a new factor. The need for personal development and the need for fulfillment have been added to the motivations and pre-entrepreneurial experience has been added to human capital. Items similar to these factors have been shown to be significant predictors for entrepreneurship in a quantitative study performed by Pistrui et al (2001).

The influence of the ecological environment has been added to the institutional influences as a category. Financial support & grants and the existence of business incubators have replaced property rights protection and contract enforcement as government policies enabling entrepreneurship. Unlike the two new factors the replaced ones did not seem to have any empirical grounding for influence. Because the two new factors are also proposed in literature that was reviewed before the empirical part of the research they cannot be considered as additions to the literature; these two factors are also mentioned in the text by Xu (2010) as influential factors, but are categorized differently by him.

Finally the sub-category Entrepreneurial culture has been added to the Social & Familial Network. This entrepreneurial culture has been added as a sub-category because it is formed in contact between entrepreneurs and/or budding entrepreneurs, creates and sustains cultural and social norms and is influenced by government policies enabling entrepreneurship. These three factors together form a culture that can influence the motivations of individuals towards starting a business. Following the updated and linked category and factor tables a conceptual model displaying the effects of entrepreneurial culture has been made available in figure 2.

Table 4: Personal Characteristics

Personality traits	Motivations	Human Capital
Ability to manage uncertainty	Need for achievement	High education
Having sufficient drive	Desire to work flexibly	High Family income
Willingness to embrace risks	Materialism	Belief in personal capabilities (knowledge, skill, and experience)
Positive outlook on life	Desire to contribute to the wider community	<u>Pre-entrepreneurial experience</u>
Social networking behavior	<u>Need for Power</u>	
<u>Independent person</u>	<u>Need for Status</u>	
<u>Practical Person</u>	<u>Personal Development</u>	
	<u>Need for Fulfillment</u>	

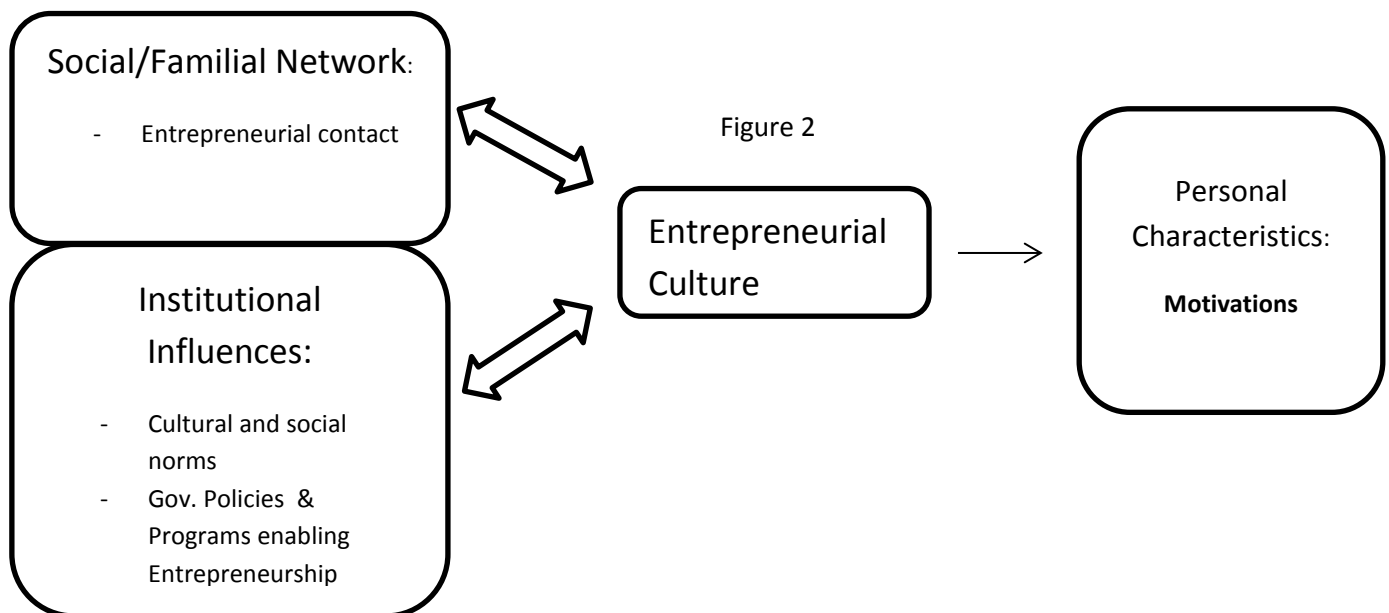
Table 5: Social and Familial Network

Access to start-up capital	Family members or friends that can provide assistance or help	Entrepreneurial Contact	<u>Entrepreneurial Culture</u>
Access to start-up capital from relatives	Affective assistance	Having a family member that has started a business	
Access to start-up capital from friends	Professional assistance	Having a personal contact that has started a business	

Table 6: Institutional Environment

Gov. Policies & Programs enabling entrepreneurship	Access to financial resources	Access to education and training	Research and development transferability	Market openness	Cultural and social norms	Physical Infrastructure	<u>Ecological environment</u>
Employment requirements	Availability of venture capital	Provision of consultants	Idea -> Commodity	Governmental entry barriers	General attitudes regarding entrepreneurship		
Organizational requirements	Availability of Bank loans	Access to business classes	Seizability of opportunities	Corporate entry barriers	Social norms regarding entrepreneurship		
Tax provisions							
<u>Financial Grant/Funding</u>							
<u>Business Incubator</u>							

**Conceptual Model displaying the effect of Entrepreneurial Culture on Personal Motivations; this can subsequently effect the decision towards becoming an entrepreneur.**





## Conclusions & Discussion

### *Conclusions*

#### *Personal Characteristics*

In order to come to an answer that in a satisfactory manner answers the main research question the different sub questions will be answered first, starting with the personal characteristics of the entrepreneurs. The question directing this part of the research stated:

*How have their personality traits, motivations and Human Capital influenced their decision?*

It seems that the ways in which personal characteristics influence the decision towards becoming an entrepreneur are very diverse and are often individually bound. There is no typical entrepreneurial person identifiable by a predefined set of personal characteristics; on the contrary, there seem to be very different individuals undertaking very different business ventures. Two archetypes based on the most influential personal characteristics of have been discerned though, the personality driven entrepreneur and the interest & passion driven entrepreneur, mostly possessing a mix of different other personal characteristics.

The characteristics that were often found in entrepreneurial individuals were being a positive person; being able to manage uncertainty and risks; being a social person; having an entrepreneurial drive; being an independent person; being practical; the following of ones' passions, dreams and interests; a desire to work flexibly; wanting to develop personally; gaining fulfillment in life; gaining financial resources; the existence of pre-entrepreneurial work experience; the belief in ones' personal capabilities; and the attainment of a high education.

Of these factors the being of an independent person and a practical person as a personality trait, the need for personal development and the need for fulfillment as motives, and pre-entrepreneurial work experience as human capital had not been included in the list of possible personal characteristic influencing an entrepreneur towards the decision of starting a business before the empirical part of the research and can be considered as empirically grounded additions to the entrepreneurship literature focused on China.

#### *Social & Familial Network*

The second sub-question also provided some interesting findings and additions to the pre-empirical factors of influence. The sub-question reads:

*How have their social and or familial links influenced them?*

Distilled from the answers of the respondents comes the conclusion that the role of the social network is, just as the personal characteristics, mostly individually bound. Yet it does seem that for most entrepreneurs the social network can inspire them towards undertaking entrepreneurial activities and can serve as a backup resource during the startup phase and throughout the further development of the business.

Considering individual differences entrepreneurs could often learn how to run a business from friends and friends were regularly found to support and assist with problem solving; thus providing professional assistance and help. The access to start-up capital seems to be something that is culturally accepted to receive from family in China and not from friends, even though a few entrepreneurs did admit to receiving a loan from a friend. Professional assistance is something provided by friends and when in need of start-up capital or affective assistance the family can help out, having these resources available could be of positive influence towards an aspiring entrepreneur.

Having a contact that is an entrepreneur seems to influence entrepreneurs in Shenzhen in an important way. The residents of Shenzhen inspire each other towards undertaking entrepreneurial ventures and it can be concluded that this creates an entrepreneurial culture full of people chasing their dream. This can inspire people to create new ventures and can breed innovation.

*Institutional Environment*

The institutional environment of Shenzhen is one that creates and facilitates opportunities for its residents; job opportunities, opportunities for social mobility, and business opportunities for its aspiring entrepreneurs. Unlike the influences of the personal characteristic or the social network the influences of institutional environment are, in theory, equal for all residents and entrepreneurs of Shenzhen. However there are still differences to be found in the way the environment influences entrepreneurs, these differences depend mostly on the industry an entrepreneur is active in. The sub question reads:

*How has the institutional environment influenced their decision?*

There seems to be a hard working mentality among the residents of Shenzhen and the same goes for the government, which works in a highly efficient manner. The municipal government provides several policies like financial grants and access to business incubators

to starting entrepreneurs, thus supporting and influencing them, but unfortunately for certain entrepreneurs these policies are mostly directed at individuals active in the High-Tech sector. The access to financial resources in Shenzhen is good, there is a lot of venture capital but in similar fashion to the government policies, venture capitalists are mostly directed at the High-Tech sector. Because of the presence of the world's largest supply chain the transferability of an idea to a product is very good and the same holds for the seizureability of opportunities. Its residents rate the physical infrastructure and ecological environment of Shenzhen, of which the latter can be added as influential pull factor to the literature, as the top of the country and for many industries the city has more business opportunities than Hong Kong, which is considered a saturated market.

Concluding it can be stated that Shenzhen is fairer to migrants because unlike cities like Shanghai, Guangzhou and Beijing there is little to no reliance on Guanxi, it provides an open market with minimal barriers, and the cultural and social norms of the residents are very positive towards entrepreneurship. These factors add to the sustainability of the entrepreneurial culture created by its residents and can serve as pull factors influencing potential entrepreneurs to start a business in Shenzhen.

### *Main Research Question*

Now that information has been gathered and supplied in order to answer the sub questions an attempt will be made to answer the main research question. The main question is the following:

*In what way do personal and contextual factors influence the decision of young Chinese entrepreneurs to start their own small-scale business in Shenzhen?*

Included personal factors of influence to entrepreneurs have been certain personality traits, certain factors of human capital and also certain motives, all depending on the individual entrepreneur. The contextual factors of influence have also been important to starting entrepreneurs, of which most interesting is the existence of an entrepreneurial culture in Shenzhen. By means of interpersonal contact based on social norms and attitudes an entrepreneurial culture is created in which people influence each other's motivations towards undertaking entrepreneurial activities. These activities are made available by the opportunities facilitated by the government policies and freedom provided by the institutional environment.

Several items that can be considered additions to the literature concerning

entrepreneurship in Shenzhen and China have been added to the predetermined categories and concepts used in the study. The concepts and categories that were selected pre-empirically have been empirically grounded, or disregarded and replaced.

One could propose to say that the contextual factors have a more definite and clear influence on the decision to start a small-scale business. But when put in perspective the contextual factors, especially the institutional environment, are aside from influencing entrepreneurs in Shenzhen also pull-factors to migrate to the city. People that want to achieve their dreams come to Shenzhen from all over China and settle there; Shenzhen is thus a city for people that want to achieve their dreams and most people that live in Shenzhen are already personally motivated and driven to seek opportunities and possibly start a business. When regarded in this respect the influence of personal motivation to start a business in Shenzhen becomes clearer; the city consists mostly of highly motivated migrants.

Also, four different archetypes of entrepreneurs have been distinguished, based on the manner in which their decision to start an own business has been influenced the most. The Opportunity driven entrepreneur is linked to the opportunities provided by the institutional environment; the Socially driven entrepreneur is related to the influence of the Social Network; and the Interest & Passion driven entrepreneur and the Personality driven entrepreneur are linked to the influence of personal characteristics.

### ***Discussion***

Within sociological research the aim is always to include and discuss all relevant viewpoints, actors and institutions, thus looking at the bigger picture. Because of this the choice was made to include both personal and contextual factors in the main research question, instead of focusing on either one, as a lot of entrepreneurship research has done in the past. In this research a large share of factors has been discussed that can, as has been shown previously, potentially influence an aspiring entrepreneur towards starting his or her own business. In spite of this certain factors of influence have most likely still been left out, factors that have been vitally important to certain entrepreneurs' decision to start a business.

Although no generalizing statements can be made on the basis of the data collected in this study due to the nature of qualitative research, a picture has been portrayed of several entrepreneurs with personal details of their life stories and opinions regarding matters relevant for entrepreneurial endeavors. From these stories and opinions insight in to the lives and motivations of young Chinese entrepreneurs has been gained. What was perhaps most striking and surprising is that the young entrepreneurs that make the decision to start an own

company, influenced by certain factors or not, are fairly similar in their world views and motivations as their young Western peers; they often desire social mobility, personal development, fulfillment in life, and a desire to work flexibly. Even though the political environment and history of China and most of the Western countries are critically different, the values and life goals of their younger generations seem to align in an increasing fashion.

For future research it could be interesting to see in what way the intention of young individuals changes or stays the same over the process of an unsuccessful or successful entrepreneurial endeavor, thus making the research a longitudinal study. Another option could be to include entrepreneurs from more diverse sectors, thus increasing the width and breadth of the research population and eventual conclusions. It is unfortunate that only one entrepreneur from the manufacturing sector has been included in this research, especially because of the manufacturing history and reputation of Shenzhen. Another option would be to include even younger entrepreneurs in the population, and also several more older entrepreneurs, in order to more clearly define possible intra-generational discrepancies.

Also, as has been stated previously, the city Shenzhen has seen explosive economic growth in the past decades; this serves as a strong pull factor for potential entrepreneurs to the city. It could be interesting to replicate the research in another city, for example in Shanghai or Guangzhou, to see if the same factors are of influence to potential entrepreneurs, but also if the influence of Guanxi is indeed much stronger there, if the same categories of entrepreneurs appear, and if an entrepreneurial culture can be discerned in the same way as in Shenzhen.

Taking the factors found influential in this research and changing them to quantitative items and variables to once again measure several entrepreneurs in Shenzhen could validate or deny the influence of the factors. Furthermore, expanding the research to compare results found in another city can possibly draw an interesting comparison between cities.

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## Appendix A

No.	Date	Name	Company Name	Location	Time since start	Age	Employees	Contacted Through	Data Stolen
1	mar-31	Jasen	Makeblock	Bao'an	4	29	70+	Haxlr8r	X
2	apr-06	Martin	Software Outsourcing		2	28	5	SZCD	
3	apr-06	Mr. Lee	Music Store	琅华旺路124号雍景轩大厦	4	33	4	Ching Wen	
4	apr-07	Bill Zhang	HighTech Medical	深圳市南山区高新中四道	6 months	32	6	Wechat	
5	apr-07	Song	Techspace	Techspace - Nan Shan	2	/	/	Mr Zhang	
6	apr-08	Yoon Hoon	Nemo	Haxlr8r Office	6 months	27	2	Haxlr8r	
7	apr-08	Jason	Wearvigo	Haxlr8r Office	1	23	4	Haxlr8r	
8	apr-09	Mr. Zhou周	President of Shen	pick up at hotel	10	51	?	Ching Wen	
9	apr-09	Anonymous	Real estate	Mr Zhou Tea house	10	45	1	Mr Zhou	
10	apr-09	Anonymous		Chinese Overseas Techno	2	29	10	Wechat	
11	apr-09	Melody	HiHex	Chinese Overseas Techno	5	27	20	Sean	
12	apr-11	Johnson Wang	IAS Diver Compar	She-ku	1	42	7	Hostel -Random Chat	
13	apr-11	Joyce	Wine Importer + F	She-ku		37	/	Johnson Wang	
14	apr-12	Joanna + Husband	Educational invest	OCT	4	32	?	Wechat	
15	apr-13	Jack	Yunlai- Online Hos	Chinese Overseas Techno	2	31	40	Emma Liang	
16	apr-13	James tang	Homesdeco Limite	Room 305,C Building Bac	1	34	3	English Lesson	
17	apr-14	Raintree Wei	Wine Importer	6th floor Rainbow MallRo	3	37	5	Joanna	
18	apr-14	Feifan Yang	Patent and Intellect	6th floor Rainbow MallRoom 643, Hengrun Bu		31	7	Raintree	
19	apr-16	Cody Cai	Daydreamer - Bra	Qianhai Shenzhen E-Hub	2	27	?	Visit to E-hub	
20	apr-16	Eric	Wealtree - Financi	Qianhai Shenzhen E-Hub	2	30	?	Visit to E-hub	
21	apr-16	Kai Chang	Eastiming - Video	Qianhai Shenzhen E-Hub	2	37	?	Visit to E-hub	
22	apr-17	Mr Fu	Barrierfree Mobility	Business incubator in She	1	25	/	Wechat	
23	apr-22	Miky	Convention Travel	OCT hostel	2	28	8	Hostel - Jorg	
24	apr-23	Julie	International Trade	OCT hostel	2	35	/	Hostel - Random Chat	
25	apr-29	Duke Zeng	HiredChina	Old tree coffeeshop NanS	2	32	7	Visit to Expat Jobfair	X
26	apr-30	Teresa	OCT YH	OCT hostel	10	55	6	Hostel	X
#	apr-27	Focus Group	/						
1	apr-27	Liucheng	Intelligent-earnings	Kuala Lumpur	2	25	40	Hostel - Random Chat	
2	apr-27	McQueen	AAA	Shenzhen	1	26	20	Hostel - Random Chat	
3	apr-27	ChicoChen	Ilbean china	QingDao	2	31	5	Hostel - Random Chat	
4	apr-27	Lisa han	Lisa China Compa	QingDao	3	31	5	Hostel - Random Chat	

## *Appendix B*

### **Topic List**

#### **Introduction**

Make clear that this is an independent research and that there are no ties to the Chinese or Dutch government.

All information will be made anonymous on request.

Respondent should be able to talk freely and express personal opinions to the fullest.

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What kind of company do you run?

Where did you work before you started your company?

At what moment was the decision to start your own business made?

- Why?
- How?

Did you make use of venture capital or bank loans when you started your business?

When you started your own business, did your friends or family members help you?

- In what way?

Where does your family originally come from, where do they currently live?

What kind of profession does/did you father have?

Do you have any sisters or brothers?

Do you have any family members or close friends that are entrepreneurs?

Do you know many entrepreneurs in general?

Do you sometimes work together with relatives or friends that have their own business?

- How often does this happen?
- Why does this not happen?

Do you sometimes receive help or advice from family or friends?

- What kind?

Do you/Would you value friends or family help?

In what way is having a social network beneficial to you and your business?

Did you already have the idea to start a company before your education?

Is the large number of young migrants present in Shenzhen beneficial to your business?

Did you migrate to Shenzhen?

Why did you come to Shenzhen?

Why not Hong Kong?

In what way does Shenzhen compare to Hong Kong

In what way do you think that the environment of Shenzhen encourages young people to start their own business / seize business opportunities?

Does the government provide sufficient policies supporting entrepreneurs?

- Employment/organizational requirements?
- Tax provisions?
- Property rights protection?
- Contract enforcement?

Do you think that there is enough education and training available in Shenzhen?

Have you made use of consultants and visited seminars and business classes in Shenzhen?

How easy is it to transfer an idea to a commodity in Shenzhen?

How has the physical infrastructure of the city affected your business?

Was it easy finding a location for your office?

Do you consider Shenzhen an open market?

Have you encountered any governmental or corporate limitations when starting your business

What are the general attitudes or social norms of the Shenzhen residents towards entrepreneurship?

What is your overall opinion of Shenzhen environment for business?

What is your number one positive point?

What is your number one negative point?

What do you think the government should change in Shenzhen to help entrepreneurs?

Is Shenzhen an entrepreneurial society?

Do you think that if you didn't live in Shenzhen you would still have started your own business?

Where do you want to go with your business?

Do you think you and your company will be successful?

What gives you the idea that it will be a success?

- Personal capabilities? – knowledge /skill/ expertise

What kind of education did you have?

How is this relevant for your current entrepreneurial activities?

What are your interests?

What drives you?

From where do you get your motivation?

- Are you an achiever? How come?
- Do you like to work flexibly – Can you do this as an entrepreneur?
- What do you think about materialism? Are you materialistic?
- Do you enjoy having a true leadership role with power and or status ? - Why
- Do you want to contribute to the community?- Why

Do you think your personality has had an influence on becoming an entrepreneur?

Could you describe your personality in a few words?

What do you think is your best character trait?

Which character traits would you say have added to your entrepreneurial activities?

- Embracing risks

- Example: if a business opportunity appears would you take it if even though it's risky?

-Social person

- Do you consider yourself a social person?
- Do you easily make friends or contacts?

-Managing uncertainty

- Do you prefer a business that is highly planned and very structured or one that is sometimes uncertain and a little chaotic?

When something bad happens or does not go according to plan do you brush it off and keep going or think about why it went wrong for a long time?

**General questions**

What direction should the Chinese government take in your opinion?

- More oriented to capitalism and the west?
- More oriented towards itself and traditional values?

What would you like to change in the Chinese government?

Do you think China will continue to increase working together with the western world?

Do you think this is a good thing or a bad thing?

What kind of business would you like to have in five years?

Where do you see yourself in 10 years?

## *Appendix C: Focus group topic list*

### Institutional Surroundings

- Why do people come to Shenzhen?
- Do you think that Shenzhen is a good place to start a company?
- Are there enough government policies that support starting entrepreneurs?
- Does the ecological environment of the city matter to you?
- Is there a hard working mentality and high efficiency of the government and residents of Shenzhen?
- Is Shenzhen more fair compared to other cities for people that want to start their business because of the reliance on Guanxi?
- What is the best place in the country to start your business?
- Do people talk a lot about money in Shenzhen? Is the lack of culture in Shenzhen filled by a focus on money? Does this focus on money drive the efficiency of the city?
- Is China is more capitalistic than USA? Due to lack of religion people believe in money.

### Social network

#### Different findings

- Is a social network helpful during the starting up face?
- Is it normal to get financially supported by your parents and your friends when starting a business?
- When talking with your friends, do they motivate you to start a business?

### Personal traits

- When starting a business, do people do it based on opportunity to earn money or motivated to do their own thing?
- Although no one explicitly states that they do it for the money, they do admit that there are a lot of people that start a business purely for the money, do you think this is true?
- Is passion for your job and taking care of your employees important?
- Is your belief in success based on personal capabilities?
- Do you think that character traits have an effect on why people start a business?
- Do you think positivity and integrity and honesty matter a lot when starting a business?
- Is contributing to the community and society important?

- Do you think the taking of risks and avoidance of uncertainty depends on the industry and age and experience?
- Could you think of any categories of entrepreneurs? So far I have: Personality driven, Interest driven, Opportunity driven, Community driven, Socially driven
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#### Future of China

- Some state that china should follow own path some state that more capitalism is needed, what do you think?
- What policy should be changed by the Chinese government?

**Appendix D**

## Timetable

Week	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30-33
Literature Review	x	x	x																	
Interviews			x	x	x	x	x	x												
Transcribing						x	x	x	x	x	x	x	x	x						
Analysis														x	x	x				
Documentation of results															x	x	x	x		
Concluding and Finalizing																x	x	x	x	x