

SOCIODEMOGRAPHIC CORRELATES OF BUSINESS ETHICS, FAMILY VALUES AND PERSONAL BELIEFS AMONG CHINESE ENTREPRENEURS

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ABSTRACT

Based on an interview survey of 146 private business owners in a major city in China, this study investigated the owners' personal values, beliefs, business ethics, and the sociodemographic correlates of such beliefs, values and ethics. Although in most aspects they were not much different from their counterparts in other societies, the emerging Chinese business owners showed uniqueness and ambiguities in some of their values, beliefs, and ethics. They attributed little of their business success to Confucianism or any religious values. The relationship of religion to economy, as espoused by Weber and others, was inapplicable to the Chinese socialist system.

As the world's most populous country, China has achieved one of the fastest growing economies on earth in the past two decades. Since Deng's economic reforms in 1979, the Chinese economy was growing at an average annual rate of 9.8 percent until 1998 (Morrison 1999). Even during the Asian financial crisis of the years of 1998 and 1999, China's growth rate slowed but still maintained the rates 7.8 percent and 7.1 percent, respectively. In the year 2000, the growth rate rose to 8.0 percent (*Beijing Review* 2001). At the current rate of growth, which is estimated to be seven percent for the year of 2001 and projected to be at eight percent annually for the next five years, China's economy will be at year's end 10 times larger than it was in 1979 when the reform formally started. If the current and projected growth rates continue, China will become the world's largest economy - larger than America's in the next century (*U.S. News & World Report* 1995; Morrison 1999). There are several reasons for China's economic success. One of the reasons is the privatization of the economy.

Private enterprise existed before Mao's Communist regime in China. There were millions of private businesses and corporations in operation before and even during the Sino-Japanese War. After the Communist revolution in China in 1949, Chairman Mao started a drastic societal transformation, transforming Chinese society from a capitalist system into a communist system. Private businesses were confiscated by the government and private property system was abolished. During the late 1950s and early 1960s, while the Great Leap Forward was launched and communes were implemented, there was almost no private economy in China. It was only when the Great Leap For-

ward and commune system proved to be a disaster, that individual economy was allowed to develop on a very limited scale.

The light of private economy was turned on when Deng Xiaoping came into power. Deng took a pragmatic approach to modernizing China. He and his reformists in the Communist government approved individual economic enterprise in 1979. Individual farmers were allowed to sell surplus from their farm products, and some individuals were permitted to operate barber shops, food stands, family-type restaurants, and bicycle repair shops or other small stores. The national policy was made clear that China's economic growth would continue to be public ownership, with proper individual businesses as a supplement to the socialist economy. However, as the economic reform accelerated and expanded, many individual businesses felt the need to hire more workers; thus, in 1987 the Chinese government started to relax its policies and regulations on the employment of individuals in private business. Finally in 1988, it passed legislation and amended the constitution regarding the legal rights of private business throughout the country (*China Today* 1993). The passage of the new legislation opened up the door for private enterprise to spring up rapidly in China. The increase of the number of private businesses has been phenomenal (Yuan 1992; Zhang 1993; Han 1995). The private sector of the economy had been growing faster than any other sectors, and accounted for 13 percent of China's industrial output (Clifford, Robert, Bamathan & Engardio 1997). By 1998, it had grown to about 27 percent of the Gross Domestic Product (Gregory & Tenev 2001). In the present economy, while half of the state enter-

prises are bankrupt or nearly bankrupt, the private businesses have spread like wild-fire. Tens of thousands of people open up private businesses every day, and it is estimated that in 1997 13.5 million Chinese were in the private sector. At this time, there were 967,700 private enterprises whose registered capital totaled US \$61.9 billion. The newly emerging entrepreneurs are in the process of developing into a new social class and becoming a powerful force in China. Their impact is increasingly felt in every facet of Chinese society. How they conduct their businesses and what business and work ethic they embrace are not only of academic interest but also of practical significance.

DATA AND METHOD

This paper is based on part of the data collected from an interview survey in Wuhan in the summer of 1995. In collaboration with the Department of Sociology of Huazhong University of Science and Technology in Wuhan, the researcher completed personal interviews of 146 private business owners. Of them, 46 were found from the sample of 100 owners (called "old sample") who had been interviewed a year before (Ma 1995). Initially, the researcher intended to reinterview all the 100 owners, but because of business failures, relocation, or other reasons, many of them couldn't be located. As a result, only forty-six owners were interviewed. The same quota and snowball sampling techniques were used to draw a new sample of 100 owners. Specifically, the new sample was drawn as follows. First, a sampling frame was established by compilation of all the names in the directories of private businesses provided by the local district offices of the Industrial and Business Management Bureau of the Wuhan City Government. Second, the sampling frame was classified into nine strata of industries: industrial production, agricultural production and processing, construction, transportation, business sales, food and restaurant services, general services, repairs, and high tech consultation. Then a proportionate number of cases was drawn from each stratum. Third, in case names of the proportionate number of cases in a stratum ran short, additional cases were obtained by referrals at the end of each interview. The targeted sample size was initially 110, but ended with 100 interviews. Thus, altogether 146 interviews of business own-

ers were completed. Since the same interview schedule was used for 46 owners in the old sample and 100 owners in the new sample, the information collected was consistent. However, because the samples were not representative, this research was exploratory for the business owners in Wuhan, not intended to generalize findings to the entire population of private business owners in China.

The interview schedule consisted of three parts of items concerning sociodemographic characteristics of business owners, their business operations and management, and their personal values and beliefs. In the part of personal values and beliefs, items were asked about the owner's work ethics, business ethics, business management, personal character and philosophy, and personal religious beliefs. This paper will focus on the business and work ethics and particularly the sociodemographic correlates of the business and work ethics.

FINDINGS

First the author will sketch the general sociodemographic and business characteristics of the owners; then, he will identify their significant views on family values, work ethics, business ethics, business management and personal beliefs; and finally, he will analyze the sociodemographic correlates of their significant views on family values, work and business ethics, business management, and personal beliefs.

1. Socio-demographic and Business Sketch

What are the general social and demographic characteristics of those private business owners in Wuhan, China? The survey shows that most of the private business owners were male (about 86%) and young middle-aged (about 70% were under age 39). More than three-fourths were married. Thus, single entrepreneurs were uncommon. Most private business owners had slightly higher educational level than their parents. As a group they had above average education by Chinese standard, with more than 80 percent of them having finished senior high, vocation school, or four or more years of college. A relatively high percentage of private business owners in Wuhan had college or higher education (30.8%). In terms of the social classes, as perceived by themselves, nearly 50 percent of the entrepreneurs con-

sidered themselves coming from the middle social class. In view of the fact that only 5.1 percent of the population in the country were Communist party members, private business owners in Wuhan had more than their fair share of Communist party membership (13%) (Pacific Development Inc. 2002). They also came from families with a high proportion of parents who were Communist party members. Nearly 40 percent of their fathers and more than 12 percent of their mothers were Communist party members.

How about the type, scale, and operation of their businesses? The data indicate that most private businesses were found in business sales (more than 40%) and industrial production (nearly 19%). Most businesses were solely owned, but there were signs showing that increasing numbers of businesses were moving toward limited corporations. Most businesses were small, having assets valued less than 100,000 yuan (approximately \$1 US = 8.25 yuan) and having hired 25 or fewer employees (more than 75%). Because of Chinese culture, family businesses or family participation in businesses was prevalent. More than half of private businesses interviewed had family members or employees who were relatives. More than half of the businesses were new or relatively new, with fewer than three years in existence. Over 80 percent of business owners had expansion plans and were optimistic about future development.

2. Personal Values and Beliefs

As noted before, most, if not all, businesses surveyed were small by the U.S. standard. Working and living in the cultural, economic, and political environment of the Communist Chinese society, private business owners developed and formed their unique personal values, beliefs on business operations and life in general. There were 32 items pertaining to their personal values and beliefs in the interview schedule. They were lengthy and detailed.

Data in Table 1 show that most business owners were family-oriented, believing that to do good business, one needed to have a happy family. Most business owners were firm believers in the work ethics. Like entrepreneurs in other societies, they didn't believe in luck; instead, they believed in hard work. Although they conceded that hard work might not guarantee success, they held that

hard work would improve a person's chance of success. They strongly emphasized the importance of clearly defined goals. Like Western entrepreneurs, they admired and endorsed self-made millionaires more than those born millionaires. In terms of their views on business ethics, most business owners in the survey condemned making profits by any means whatever, including illegal means. The majority of them held that honesty was the best business policy and that one could succeed without cheating, engaging in trickery, or using personal connections. Interestingly, even in this early stage of the development of market economy in China, more than half of the private business owners indicated that if they earned a profit, they would give a portion of their profit back to society for educational and public causes. In terms of business management, similar to their counterparts in other countries, an overwhelming majority of Chinese business owners in the survey believed that long-term planning, clear business philosophy, self-improvement, humanitarian management, technological advancement, quality control, accounting and financial system, delegation of responsibility, esprit de corp, and tough decision making were important ingredients of business successes. Although more than half of the business owners hired family members or relatives, nearly all of them indicated that the hiring should be based on deed, not on favoritism.

In the area of personal character and beliefs, Chinese entrepreneurs were found to be generally different from their counterparts in capitalist societies. Chinese business owners devalued the monetary motivation and risk-taking for running a successful business. An overwhelming majority of them disregarded personal religious beliefs as an important ingredient of entrepreneurship. A majority of them also disregarded Confucianism for achieving entrepreneurship. Apparently this finding is inconsistent with Weber's Theory of Protestantism which holds that the Protestant ethic had a partial influence on the development of the western capitalist economy (Weber 1964). It also contradicts with the theories of modern economic development in Asia. Several scholars attributed the phenomenal growth of East Asian economy to Confucianism and its ethical components (Metzgar 1977; Hefheinz and Calder 1982; King 1984; Hau 1984; Ma 1987;

Table 1 - The Extent of Agreement and Disagreement Shown by Respondents on Each Item of Personal Values and Beliefs

	VOA*	OA	VMA	MA	MD	OMD
1. "To be successful, one must have clearly defined goals."		x				
2. "To have business, one must have a happy family."			x			
3. "Having done one's best often brings one personal satisfaction."			x			
4. "Self-made millionaires often have a stronger moral sense than born millionaires."			x			
5. "Most people cannot succeed because they are lazy."				x		
6. "Hard work does not guarantee success."			x			
7. "Anyone who is willing to work hard will have a good chance to succeed."				x		
8. "To be successful, one must have a strong character, persistence, and forwardness."		x				
9. "Only those who love money can run business."						x
10. "Only those who take chances can run business."					x	
11. "One should make a profit by all means."						x
12. "In today's business world, one can still succeed without cheating or playing trickery."			x			
13. "In today's business world, one can still succeed without using personal connections."					x	
14. "One's fortune is often made by luck."					x	
15. "Honesty is the best business policy."			x			
16. "Private businesses should give back some of their profits to society by donating scholarships or public assistance funds."				x		
17. "To do well in business, one must operate gradually with a long-term plan."	x					
18. "An entrepreneur should have a business philosophy."		x				
19. "Harmony is the key to profit-making."		x				
20. "An entrepreneur should keep on reading, absorb new knowledge and improve himself or herself."	x					
21. "An entrepreneur should hire employees by deed, not by favoritism."	x					
22. "An entrepreneur should stress humanitarian management, caring about his employee's welfare."	x					
23. "An entrepreneur should constantly adopt new technology, emphasizing technological advancement."		x				
24. "An entrepreneur should stress quality control."	x					
25. "An entrepreneur should know how to delegate and let employees take their own responsibilities."			x			
26. "An entrepreneur should stress an accounting system and financial planning."	x					
27. "An entrepreneur should care about customers' needs and give the top priority to customer service."	x					
28. "An entrepreneur should stress the development of an esprit de corps among employees."	x					
29. "An entrepreneur should have courage, determination in making his decisions."		x				
30. "An entrepreneur should have a religious belief."						x
31. "An entrepreneur should follow Confucian ethics and live a Confucian way of life."					x	
32. "A man should maintain his thrifty habits even when he has become rich."		x				

*VOA - Very Overwhelmingly Agree (95% or more either strongly agree or agree); OA - Overwhelmingly Agree (85-94% either strongly agree or agree); VMA - Very Majority Agree (70-84% either strongly agree or agree); MA - Majority Agree (50-69% either strongly agree or agree); MD - Majority Disagree - (more than 50% strongly disagree, disagree, or no opinion); OMD - Overwhelmingly Majority Disagree - (more than 80% strongly disagree, disagree, or no opinion)

Table 2 - Sociodemographic Correlates of Personal Beliefs and Values

Item Number and Item	Significant Variables	F value
1. To be successful, one must have clearly defined goals.	Father's education	2.62*
	Mother's education	4.81**
2. To have business success, one must have a happy family.	Marital status	8.75**
	Father Communist	7.87**
3. Having done one's best often bring one personal satisfaction.	Mother Communist	8.37**
	Element 79	2.87*
17. To do well in business, one must operate gradually with a long-term plan.	Element 79	2.87*
23. An entrepreneur should stress technological advancement.	Mother's education	4.73**
25. An entrepreneur should stress delegation of power and responsibility.	Forced farm	11.21**
27. An entrepreneur should care about customer's needs and gives the highest priority to customer service.	Element 79	2.60*
32. A man should maintain his thrifty habits even when he has become rich.	Marital status	9.80**
	Father's education	3.49**
	Served GI.	9.17**

*p<.05 ; **p<.01

Chen 1987). Despite the theory may be true at the societal level, it seems not true at the personal level. The Chinese business owners saw no relationship between the religious beliefs, including Confucianism, and entrepreneurial growth. However, they did believe that strong character, persistence, and forwardness were necessary personal qualities. The Chinese business owners in the survey emphasized the thrift, even should he or she became rich. Frugality and simplicity in life has always been a virtue. Most business owners who started out from scratch and learned the value of thrift, thus considered it important to business success.

3. Sociodemographic Correlates of Personal Values and Beliefs

What are the social and demographic characteristics that are related to business owners' values and beliefs? One-way ANOVA was computed for each of those value and belief items which received 70 percent or higher endorsement from business owners, by each sociodemographic variable. Table 2 summarizes and shows those significant relationship patterns.

Of the 22 value and belief items examined, only eight were found to have significant sociodemographic correlates. As shown in Table 2, the first value item "To be successful, one must have clearly defined goals" was found to be related to the education of both father and mother. Owners whose fathers had junior high school education sup-

ported the statement the strongest (mean=1.55); whereas those whose fathers had junior college or vocational college education supported the statement the weakest (mean=2.18). The same pattern held for mothers.

The second value item "To have business success, one must have a happy family" was found to be associated with marital status only. Married owners showed support of this statement more strongly than unmarried owners.

The third value item "Having done one's best often brings one personal satisfaction" was related to whether father and mother were Communist party members. Owners whose fathers were Communist Party members embraced this statement more strongly than those whose fathers were not Communist Party members. The same was true for mothers. Parental party membership evidently contributed to this value item.

The fourth item "To do well in business, one must operate gradually with a long-term plan" was found to be related to the political classification of the family before 1980. Owners whose families were classified as landlords, capitalists, and rich farmers showed the strongest support of this statement, whereas those whose families were classified as poor farmers showed the weakest support of this statement. Owners whose families were classified as average farmers, merchants, laborers, intellectuals, and Communist staff members were intermediate supporters. Data suggest that the capi-

talist family background contributed to the value on long-term business plans.

The fifth item "An entrepreneur should stress technological advancement" was related to the education of the mother. Surprisingly, owners whose mothers had vocational or junior college education expressed the strongest support of this statement, followed by those whose mothers had college or post-college education. Owners whose mothers had elementary or less education indicated the least support of the statement. The reason why the mother's, rather than the father's, education had an effect on the support of technological advance is not clear.

The sixth item "An entrepreneur should stress delegation of power and responsibility" was found to be associated with whether the owners were ever sent to do forestry or farming work. Owners who were sent to do forestry or farming work were less likely to believe this statement than those who didn't have such forestry or farming experience. The reason for this pattern may have to do with the nature of forestry and farming work that requires first hand physical labor, hardly involving any delegation of responsibility.

The seventh item "An entrepreneur should care about customers' needs and gives the highest priority to customer service" was related only to the political classification of owners' families before 1980. Owners whose families were classified as intellectuals embraced this statement the strongest, followed by landlords, capitalists and rich farmers. Those whose families were classified as average farmers, merchants, and laborers embraced this statement the least. A white collar, rather than a blue-collar, background appears to favor the priority on customer services.

The eighth item "A man should maintain his thrifty habits even when he has become rich" was related to three variables: marital status, father's education, and military service. In terms of marital status, married owners felt more strongly about this statement than unmarried owners. For fathers' education, owners whose fathers had vocational or junior college education felt the strongest about the statement, followed by those whose fathers had college or more education. Owners whose fathers had junior high school education showed the least agreement with this statement. The reason for this pattern might have to do with the fact that

fathers with vocational or junior college education felt more insecure in business and life than fathers of other educational levels and thus stressed the thrift the most in the socialization of their children. In terms of military service, owners who had served in the military agreed less with this statement than those who had not served in the military. The reason for this pattern may have to do with the fact that serving in the military makes people feel more protected and supported, so that thrifty habits are less important in life.

CONCLUSION

After nearly 30 years of hibernation under Mao's rule, private businesses was finally revived in China in the late 1980's. Because of the short history of revival, an overwhelming majority of businesses were small in terms of both the number of employees and company asset values. They were virtually small business owners by Western capitalist standards. They expressed strong support of work and business ethics. They believed in clear business philosophy, long-term business plan and goals, efficient accounting and financial system, humanitarian management, technological advancement, quality control, delegation of power and responsibility, esprit de corp, self-study and self improvement, and making tough decisions when necessary. But because of the economic, legal, social, and cultural context of the Communist political system in China, those emerging entrepreneurs were distinctive in their personal values and beliefs. For example, although the majority of business owners said they believed that honesty was the best policy and that one could succeed without using any illegal means, they conceded that one could hardly succeed without using personal connections. Another example was that more than half of business owners had hired family members or other relatives, but in the meantime they said that hiring should be based on deed, not on personal favoritism. The emerging Chinese entrepreneurs exhibited not only value ambiguities but also a value void. It is not surprising for them to discount religious beliefs for being successful entrepreneurs, as the Chinese people have long been areligious. In fact, in the last four decades under the Communist regime, China has been anti-religion. Furthermore, the Communist Party and its government have also been anti-Con-

fucianism. Contrary to the recent modernization theories that attributed much of the economic success of East Asian Dragons to Confucianism, the new business owners in China believed that Confucianism had nothing to do with business entrepreneurship. The value ambiguities and value void exhibited by the private business owners are perhaps manifestations of the "anomie" in the rapidly changing Chinese society today.

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