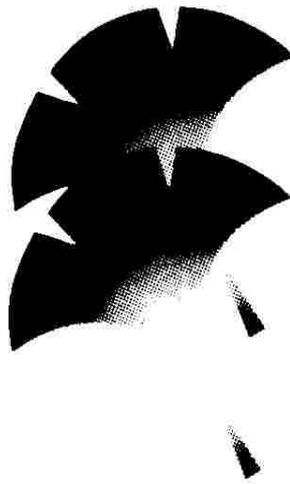


DEUTSCHES INSTITUT FÜR JAPANSTUDIEN



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**The Development of Entrepreneurship in
Transitional Economies:
The Perspective of Chinese and
South African Entrepreneurs**

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	Page:
1. Entrepreneurs and economic development	5
2. Entrepreneurial activities in the People's Republic of China and the Republic of South Africa.....	7
3.1 People's Republic of China.....	7
3.2 Republic of South Africa.....	10
3. Research sample and fieldwork methodology	13
4. Empirical results.....	17
4.1 Personality of entrepreneurs.....	17
4.2 Entrepreneurial motivation.....	22
4.3 Entrepreneurial objectives.....	23
4.4 Business strategy and firms' characteristics	26
4.5 Business success.....	31
5. Conclusion and implications.....	34
References	39

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1. Entrepreneurs and economic development

Since the 1980s a fundamental change of the social and economic system in the People's Republic of China (PRC) and in the Republic of South Africa (SA) has taken place. In the PRC the power of the command economy has declined sharply in the face of continuous advances by the market system. By 1992 China had publicly announced its goal to establish a socialist market economy symbolising the start of a new phase of economic and social development. In SA the end of apartheid has enabled the equalisation with Whites of the nonwhite majority, which was formerly discriminated against. These developments are changing the general conditions of human behaviour in both countries. They require a new way of thinking by people that will afford chances to individuals depending on their abilities and motivations and on their inclination to use the new opportunities in an active way. Recognition and implementation of new ideas and strategies in the market are elements of the "offensive" spirit, which is characteristic of today's entrepreneurial behaviour.

Yet in economic theory the entrepreneur was initially a merchant who in fact bore risk; his main income consisted of arbitrage earnings attained by buying at certain prices and selling at uncertain prices (Cantillon 1931). Jean Baptist Say (1818) extended the description of entrepreneurial action to a combination of production factors and controlling and managerial functions in the organisation. Say and Cantillon both recognised the central role of the entrepreneur as a driving force in the economy. But in neoclassical economics, not very much of this thought remains, as the entrepreneur plays only a subordinate role in equilibrium theory. The entrepreneur appears, if at all, only as a passive and reactive force (Baumol 1968). Schumpeter (1964) equated the entrepreneur with the role of innovator, which he differentiates from the "host," whose task is the mastering of the daily routine. The innovating entrepreneur causes and asserts the new combination of production factors and technological change. With it he becomes a driving force of economic growth and economic development.

Because of the change from economies characterised by inward orientation and economic intervention to liberally orientated market economies, the markets in the transforming and developing countries are characterised essentially by technology transfer and import substitution. Therefore entrepreneurs are mainly imitators of already existing innovations found in industrial nations. Genuine innovations in the sense discussed by Schumpeter only play a subordinate role (Redlich 1964). In order to open the

innovative functions of entrepreneurs for to research on the transformation and development process, an extension of the narrow interpretation of Schumpeter seems to be necessary. We therefore assume in our analysis that transcultural screening and international searches for products and services by the entrepreneur are also innovative behaviour. By identifying suitable foreign products and services and adapting them to local necessities, the entrepreneur influences the structural forces of competition in his industrial sector in his favour. Following Porter's framework (1980) this includes: (1) enforcing rivalry among existing enterprises, (2) changing the negotiating strength of the supplier, (3) changing the negotiating power of the buyer, (4) acting as a new competitor, and (5) offering substitute products and services.

The entrepreneur as an initiator of economic development must be of higher importance in the theory of development and transformation than it is in the conventional model theoretical analysis of industrial countries. In developing and transforming countries, general macroeconomic conditions are in upheaval; integrated finance or factor markets are still incomplete, and often there is a lack of political stability. Therefore the owners of small and medium-sized enterprises face completely different challenges than in industrial countries. As they aspire to take the offensive, these entrepreneurs play an active role in the organisation of their environmental conditions. They use their superior knowledge to reduce a surplus in demand in a profitable way and overtake it with a supply function. This gains more importance the more the transformation and development process of the public sector is substituted by the private sector. Besides this there is still the opportunity to set up one's own business. This offers the chance for a social rise or offers the way out of unemployment for the new entrepreneur. In addition there is the total economic effect, as small and medium-sized enterprises generate most new jobs, while in the course of public sector restructuring very often jobs are eliminated.

Therefore it can be clearly seen that in the development and transformation process, entrepreneurship plays an important role, and its promotion is one of the most important economic tasks (Eucken 1990; Ernst, Alexeev, and Marer 1996; Cook, Kirkpatrick, and Nixon 1998). It is clearly wrong to assume that private sector development will emerge spontaneously via "the magic of the market." Private enterprises require encouragement and support from government. A question that naturally arises at this stage is, how are entrepreneurs experiencing reforms and how deep do these changes run? The World Bank focuses largely on market-based measures

to analyse private sector development (World Bank 1996). We use an alternative point of view for analysing the development of private entrepreneurship by looking at the incentives, capabilities, and motives of the entrepreneurs. Instead of focusing on how aggregate measures of productivity have changed, we examine what the entrepreneurs do to make changes in productivity possible. The empirical study of the process of formation and foundation of the private sector in both countries gives us a basis for making a comparison. In conclusion we address - from an economic actors' perspective - the question, what needs to be done for private enterprises to grow?

We are aware of the tremendous differences between China and South Africa. For compelling reasons, however, we consider the two countries to be basically comparable. First, their transitions towards market liberalisation, although occurring at different speeds, have led to similar changes in the institutional infrastructure in both countries. Second, the lack of an adequate legal framework in SA for nonwhite entrepreneurs and in the PRC for private entrepreneurs has led to an underdevelopment of strategic factor markets, such as financial markets, needed to ensure private sector development. Finally, socialism, colonialism, and their legacy have prevented or discouraged the development of indigenous entrepreneurship or confined it to a marginal existence in both countries. Besides these common aspects of transition there are various constraints placed on private sector development. These are deeply rooted in different historical, social, political, and institutional factors within both countries, which we will also explore.

2. Entrepreneurial activities in the People's Republic of China and South Africa

2.1 People's Republic of China

After brutal suppression during the Cultural Revolution, private business was close to extinction in the PRC at the time when economic reform began. The Third Plenary Session of the Eleventh National Congress of the Communist Party of China (CCP) in December 1978 is said to mark the beginning of market-oriented reforms in the PRC. Although the plenum itself made no specific announcements concerning private business, it signified the official adoption of economic modernisation and growth as a

paramount concern. It emphasised economic development and individual incentives, which gave impetus to the revival of private business (Liu and Wu 1988). Small private businesses were expected by the Chinese government to provide the goods and services that had been neglected by the state and collective sectors in the years before. Serious unemployment was one of the immediate issues that had to be tackled by the reformers. Opening the private sector to absorb the unemployed seemed to be a viable policy option at this time.

The International Finance Corporation (2000) claimed that the Chinese government took its first steps towards economic reforms without a well-defined strategy or a clear blueprint. The re-emergence of the private sector was an experiment in itself for the CCP. Most of the reform period has evolved through cycles of unpublicised experimentation, followed by general approval “in principle,” then by ratification and specific regulations only after the reform in question had become well established. Oftentimes, new regulations have been accompanied by rectification campaigns, which have set the private sector back in its development. The notable feature of China’s approach to reform is also its emphasis on gradual experimentation at the local and sectoral levels, as Gelb (1993) and Harold (1992) have pointed out. Reforms in the PRC have been implemented over time, at first partially within sectors and limited to a certain city or province. In the case of private entrepreneurship, Wenzhou, on the coast of Zhejiang Province, was chosen as the first city in China in which private enterprises were allowed.

Starting from the shift in economic policy, private enterprise began to boom in rural areas. Yet at the beginning of the 1980s the individual economy still had an experimental flavour. The only private businesses permitted by a 1981 set of State Council regulations were those operated by an individual or a family (called *geti gongshang hu* [个体工商户] or *getihu* [个体户]). A *getihu* is allowed to hire only one or two helpers and several apprentices. The total number of employees may not exceed seven. A small food stall or a street corner retail shop operated solely by the owner are typical examples.

In 1988 the State Council promulgated regulations governing privately run enterprises, called *siying qiye* [私营企业]. Of course, such enterprises began to develop as early as 1981, but they did not come under regulation until 1988. A *siying qiye* is defined as a profit-making entity that employs eight or more persons and in which assets are owned by private individuals

(*Beijing Review*, 6 March 1989). It may be a sole proprietorship, associated proprietorship, limited liability company or - as of recently - joint stock company. This type of privately run enterprise is allowed to deal with and to set up joint ventures with foreign companies. Unlike *getihu*, which are concentrated in agriculture, the retail sector, and catering services, most *siying qiye* engage in light industries and manufacturing. In this process of diversifying the ownership structure of China's national economy, several creative forms of hybrid ownership, such as "town and village enterprises," have emerged as well.

The political situation, especially the CCP's attitude towards private business in the PRC, has improved continuously in recent years. Since property rights of private business owners were included in the constitutional law of the PRC in 1999, an all-out effort to encourage private business has been promoted by the government. The private business sector is expected to take over unprofitable state-owned enterprises, absorb surplus workers and those dismissed by government agencies or state-owned companies that have shut down, provide goods and services in competition with the state-owned and collective sectors, and - last but not least - pay taxes. In 2001 party leader Jiang Zemin announced that private entrepreneurs may join the CCP in the near future.

China's private sector has grown dramatically in terms of both its total size and its relationship to total gross industrial output value. According to official sources for the year 2000 there were in total 27,476 million establishments with a workforce of 78,718 million people in the solely Chinese-owned private sector (not including Sino-foreign joint ventures, foreign subsidiaries, or economic units with funds from Hong Kong, Macao, or Taiwan). Out of these, 1.730 million enterprises can be characterized as *siying qiye*, including 22,128 establishments with annual sales already exceeding five million yuan and accounting for a total of US\$63,058.5 million (RMB522,036 million) in gross industrial output value (Zhongguo Tongji Nianjian 2001). China's private businesses are found in primary industries (22%), secondary industries (18%), and - mainly - tertiary industries (60%). Economically strong regions in China along the coastline still house the largest portion of private enterprises.

Year	Coast		Central		West	
	Enterprises (in 1,000)	Employment (in 1,000)	Enterprises (in 1,000)	Employment (in 1,000)	Enterprises (in 1,000)	Employment (in 1,000)
1991	95.4	1,754.5	24.5	453.4	19.7	380.5
1993	159.3	2,351.3	44.6	768.9	34.1	600.6
1996	529.2	7,232.8	178.6	2,741.2	111.4	1,737.4
1997	610.1	8,235.5	211.1	3,189.7	139.5	2,067.4
2000	1,164.0	15,588.0	313.0	4,346.0	253.0	3,646.0

Year	Total	
	Enterprises (in 1,000)	Employment (in 1,000)
1991	139.6	2,588.4
1993	238.0	3,720.8
1996	819.2	11,711.4
1997	960.7	13,492.6
2000	1,730.0	24,065.0

Table 1: Development and Distribution of privately run enterprises (siying qiye) by region.

Note: Coast (Liaoning, Hebei, Beijing, Tianjin, Shandong, Jiangsu, Shanghai, Zhejiang, Fujian, Guangdong); Central (Heilongjiang, Jilin, Shanxi, Henan, Hubei, Anhui, Jiangxi, Hunan, Hainan); West (Inner Mongolia, Shaanxi, Ningxia, Gansu, Qinghai, Xinjiang, Tibet, Sichuan, Guizhou, Yunnan, Guangxi).

Source: International Finance Corporation (2000); Zhongguo Tongji Nianjian (2001).

2.2 Republic of South Africa

The political and social transformation in SA that took place at the end of the 1980s and beginning of the 1990s has changed the social climate and business situation. In the process of transformation a first climax was reached in 1994 with the first general and democratic elections. Because of the political situation during the colonial era and the four decades of apartheid, there is nearly no indigenous nonwhite entrepreneurial tradition in SA; furthermore, through international financial and trade sanctions there occurred a process of concentration towards large-scale companies and “white capital.” After the repeal of the last apartheid laws (Business Act of 1991) opportunities for nonwhite South Africans have expanded enormously, and the number of new enterprise establishments almost tripled during the first three years (Hirschowitz and Orkin 1994).

Before that time nonwhite businesses nearly only existed in the informal sector and partly in the former so-called homelands. Conditioned by world economic crises in the 1970s and the beginning of political unrest later on,

the South African government was forced to lift some of the restrictions on nonwhite business: First, so-called “free trade and industrial zones” were established in the suburbs of “White” cities, where all South Africans, independent of ethnic groups, could buy land and establish enterprises (Manning and Mashigo 1993). Thereby the basis for the development of a nonwhite entrepreneurial class was laid.

In the new SA there are different contexts for entrepreneurs from the different ethnic groups that emerged during the colonial era and apartheid. The Black South Africans had for a long time been the lowest working class in White South Africa and had nearly no chance to accumulate capital or to receive a high level of formal education. The Asians (mostly Indians) began arriving from the 1860s, mainly as contract workers for the plantations in the British colony of Natal; soon more Indians followed and established small trading companies. Owing to their business success, they soon gained nearly the same economic status as the Whites in Natal and, because of that, they could afford to establish a solid formal education system and also accumulate capital. The Coloured South Africans had always been a marginalized ethnic group. As their forefathers nearly totally assimilated with White settlers and with immigrants from Malaysia (giving rise to the term “Coloured” in 1830), this group soon lost its own language and cultural traditions, giving up its identity. During apartheid, the Indians and the Coloureds were privileged compared with Blacks, so that now in the new South Africa they face some hidden discrimination. Although all legal restrictions for nonwhite businesses have been removed, some major obstacles remain: most companies are still located in township areas with a large distance to the factor markets and to the customer base, which is still dominated by large-scale companies.

The country faces an unemployment rate of 37%, according to the expanded definition (“the percentage of the economically active population that is not employed,” South African Institute of Race Relations 2001), as well as social and educational disparities between the different ethnic groups (Blacks, Asians, Coloureds, and Whites); economic growth and the creation of employment opportunities are therefore political priorities. As a solution to these problems, the main governmental focus is on the SME sector, which has been widely neglected in the past, and also on the transfer of informal business to the formal sector. (According to data published by the South African Institute of Race Relations in 1998, the informal sector accounts for approximately 12% of GDP, 14% of employment, and 29% of

all enterprises.) Because of the historical context, the special focus is on nonwhites.

The figures for private enterprises are not divided by ethnic group in official statistics; the only trend that can be pinpointed is that as the size of enterprises increases, the share of nonwhite ownership declines. While in the informal sector the percentage of nonwhite businesses exceeds 75%, in the microenterprise sector the share is only 40%. Ownership by nonwhites accounts for 30% of small enterprises, 10% of medium-sized enterprises, and only 4% of large-scale enterprises; out of a total of 6.6 million enterprises representing all size classes, 44.8% are owned by Whites (South African Institute of Race Relations 2001).

Enterprises by size (number of full-time employees)	South Africa, proportion in % of:	
	Total number of enterprises	Total employment
Microenterprises (up to 5)	70.6	13.7
Small enterprises (5 to 49)	27.3	33.2
Medium-sized enterprises (50 to 99)	1.4	13.8
Large enterprises (more than 100)	0.7	39.3
Total in %	100	100

Table 2: Private enterprises and employment in South Africa.

Note: The figures comprise the private enterprise sector (81% of the total employed).

Source: Ntsika Enterprise Promotion Agency (1997), pp. 17.

The institutional framework for the development of a viable SME sector and the integration of nonwhite entrepreneurs into the economy is formed by the white paper “National Strategy for the Development and Promotion of Small Business in South Africa” (1995), the National Small Business Act (1996), and the macroeconomic strategy programme GEAR (Growth, Employment and Redistribution, 1996). These programmes are the basis for the change towards a supply-side economic policy in South Africa.

3. Research sample and fieldwork methodology

Fieldwork consisted of semistructured interviews and a standardised personality inventory in SA and the PRC directed to the two main types of players in the story: the private entrepreneurs themselves and different stakeholder groups (e.g., public and private enterprise development organisations, municipal commissions for private business, chambers of commerce and business, and employees). Our final sample included:

(1) Personal in-depth interviews with 121 entrepreneurs from different ethnic groups in SA (Black, Coloured, Asian, and White) and 60 entrepreneurs in the PRC. All together we collected 89 personality profiles in SA and 57 in the PRC from entrepreneurs.

(2) Personal in-depth interviews with 20 representatives from various stakeholder groups in SA and 40 representatives in the PRC. In total we received 16 personality profiles in SA and 175 in the PRC from different stakeholders.

All interviews were conducted between 1998 and 2000. For the semistructured interviews, the same research questions were used in China as in South Africa. Several additional open questions were used, reflecting the different national and cultural contexts of the two countries. Mandarin was used in most of the Chinese interviews, whereas English was preferred in SA. All interviews were transcribed, and the Chinese interviews were translated into German by Chinese natives.

We have used the method of a “qualitative content analysis” as described by Mayring (1995) to analyse our transcribed interviews. This structural qualitative content analysis consisted of the following steps: (1) Formulating structural categories for interpretation deduced from theory as well as extracted from our data; (2) extracting definitions, examples, and rules for codification of the structural categories; (3) compiling our data by attaching parts of the interviews to the structural categories; and (4) performing both qualitative and quantitative analyses of the assembled data by using the statistical package for social science (SPSS). The relevant data collected are on nominal or ordinal scales, so for the evaluation, nonparametrical statistical tests have been used. Due to the development of new and more complex nonparametrical statistical tests, the strength and the efficiency of these tests can be considered to be nearly the same as parametrical tests (Siegel 1997). For the purpose of this article statistical

tests could not be used for all parts of the comparison, because of the nominal scale of most of the data.

In addition to the questionnaire we have developed a fully standardised semantic personality inventory to discover the self-concept of the entrepreneur. (A full version of this instrument can be found in Appendix 1.) This personality inventory was also used to investigate how the entrepreneur is recognised by different groups of stakeholders. The 30 bipolar rating scales for 60 descriptive items were extracted from various studies concerning entrepreneurial values in both countries as well as from Europe and the United States. They were tested in pilot studies in both countries to ensure the semantic equivalence of terms used in Mandarin and English and the correct use of the rating scales. The scales are designed to cover the “Big Five” personality characteristics - emotional stability, extroversion, openness, agreeableness, and conscientiousness - which provide a useful typology or taxonomy for classifying personality characteristics (Costa and McCrae 1985; McCrae and Costa 1987, 1989; McCrae and John 1992; Digman 1990). These five characteristics have been found repeatedly in prior studies through factor analyses and confirmatory factor analyses across time, contexts, and different cultural settings (Digman 1990; Digman and Inouye 1986; McCrae and Costa 1987; McCrae and John 1992).

We have used this personality inventory at the end of the interview by asking the entrepreneurs to check one of the seven boxes in each of the 30 rows to indicate how much each of the descriptors characterises them in their business lives. We found a positive acceptance of this instrument among the participants. The responses ranged across all seven of the possible ratings, and the option of crossing out items was rarely used. The data from this fully standardised semantic personality inventory was analysed using SPSS.

In view of the size of the Chinese economy, it was not possible with our limited resources to undertake a comprehensive representative survey. Therefore, in order to gain an explorative overview of how Chinese entrepreneurs plan, execute, and assess their economic actions, we adopted a rapid assessment approach in our fieldwork.

First, we analysed specific locations in the PRC that could yield usable information and analytical insights within a limited time frame. We then focused our research activities in China equally on two regions - Shanghai and Dalian. Shanghai is well known for its long tradition of being a finan-

cial and entrepreneurial centre of China, and it has long been familiar to foreign investors. Dalian, in the north of China on the tip of the Liaoning peninsula, has attracted lots of Korean and Japanese FDI, but is not popular among Western investors. Both cities are located on the coast, where we expected to find more mature private enterprises with experience in dealing with political uncertainty since the beginning of the 1980s.

Second, we asked the Chinese Chamber of Industry and Commerce in Shanghai to introduce us to some of their member companies, CEOs from the foreign subsidiaries of their domestic subcontractors or distribution partners, and local authorities for the regional development of potential trading partners. This sampling was difficult to apply, but we also obtained a sample of privately run Chinese companies, which tend to be larger, more mature private enterprises. Small firms with no more than seven employees (*getihu*) were excluded from the sampling in China because of their range of activities (catering, services, etc.) and the difficulties of obtaining accurate information on them.

Third, out of the 60 in-depth interviews with Chinese entrepreneurs, 30 of them were handled by Chinese natives to avoid potential biases introduced by foreign interviewers (e.g., the problem of loosing “face” and the tendency towards positive self-assessment in the presence of foreigners). The Chinese interviewers were trained in seminars in Dalian and Shanghai. Firms for those interviews were selected by our Chinese interviewers and their privately held contacts. This sampling strategy enabled us to control for possible flaws in the subsample of firms we selected ourselves. Since we did not find any significant difference between the two subsamples, we consider the information given to us in the interviews to be accurate. Although our full sample certainly offers insight into Chinese private enterprises, it is obvious that because of various limitations it does not reflect all the dimensions of the Chinese private sector.

In South Africa the interviews were done in person in the province of Gauteng, which has the most important concentration of economic activity in SA. We predominantly chose the cities of Johannesburg and Witbank, because a wide range of nonwhite business in all sectors is located there; in several industrial areas nonwhite-owned businesses existed even during apartheid. The sample was taken only partly at random, because all four population groups needed to be included and therefore stratification was needed. As it is still difficult to locate nonwhite-owned businesses (in all the four population groups), chambers of commerce and industry and

governmental and nongovernmental enterprise support organisations were asked for assistance.

The South African sample consisted of entrepreneurs from the four major ethnic groups in SA in the following percentages: 34.8% Black, 14% Coloured, 14% Asian, and 37.2% White. In the Asian group, Indians dominated (only three Chinese entrepreneurs were included). To evaluate the specific cultural and economic circumstances surrounding the new non-white entrepreneurship, established White businesses acted as a methodologically important control group.

In the personal interviews in SA, 34% of all entrepreneurs (and 15% of the informal sector entrepreneurs) used their balance sheets or equivalent tables to show us financial data for their companies. A comparison between companies that showed tables and those that did not revealed no statistical differences in terms of the financial figures and the relationship between those figures. Therefore the information given by the entrepreneurs can be considered accurate.

	China (N=60)	South Africa (N=121)
Industry:		
Primary industry	1 (2 %)	0 (0 %)
Secondary industry	43 (71 %)	88 (73 %)
Tertiary industry	16 (27 %)	33 (27 %)
Size Category (full-time employees 1998/1999):		
Microenterprises (SA up to 5, PRC up to 7 employees)	1 (1.7 %)	37 (30.6 %)
Small enterprises (SA 5 to 49, PRC 8 to 49 employees)	13 (21.7 %)	66 (54.5 %)
Medium-sized enterprises (50 to 249 employees)	32 (53.3 %)	15 (12.4 %)
Large enterprises (more than 250 employees)	9 (15.0 %)	3 (2.5 %)
Not detectable	5 (8.3 %)	0 (0 %)

Table 3: Our samples classified by industry and company size.

To explore the macroeconomic situation for entrepreneurs as background, we also interviewed local experts. The stakeholder groups we interviewed (and the type of information we sought from them) in the PRC included municipal commissions for private business (registration procedures for private entrepreneurs), employees of private enterprises (working condi-

tions), labour unions (representation and influence in the private sector), banking houses (questions of financing), chambers of commerce and business (supporting policy towards private business), German companies (questions of supply), and state-owned enterprises (competition with the private sector). In SA interviews were done with public and private enterprise development organisations, the Department of Trade and Industry, chambers of commerce and business, small business departments of universities, and large-scale companies (like Anglo American, Sasol, and Siemens).

We know that because of the limitations mentioned above, our surveys can only be a preliminary analysis of private sector development in SA and the PRC. Because of our sampling strategies and limited resources, the enterprises covered in our survey do not represent a true cross section of the domestic private sector. More extensive survey work could provide information of even greater value if extended to cover more enterprises, more locations, and other segments of the private sector.

4. Empirical results

4.1 Personality of entrepreneurs

The moral characteristics and attitudes of entrepreneurs were assumed to influence the behaviour and development of their companies in various prior studies (Göbel and Frese 1999; Brüderl, Preisendörfer, and Ziegler 1996; Bamberger 1990). The entrepreneurs' values with respect to, for example, change, risk, innovation, and human relations are assumed to determine directly or indirectly their choice of objectives, strategies, and policies. They may influence organisational structure as well as management systems and leadership style. Entrepreneurial values are assumed to have an effect on performance and are even considered to be essential factors in a company's success or failure. We assume that the influence of the values of the entrepreneur on the behaviour of his firm is much more direct in SMEs, because power and decision-making processes are typically concentrated in his person.

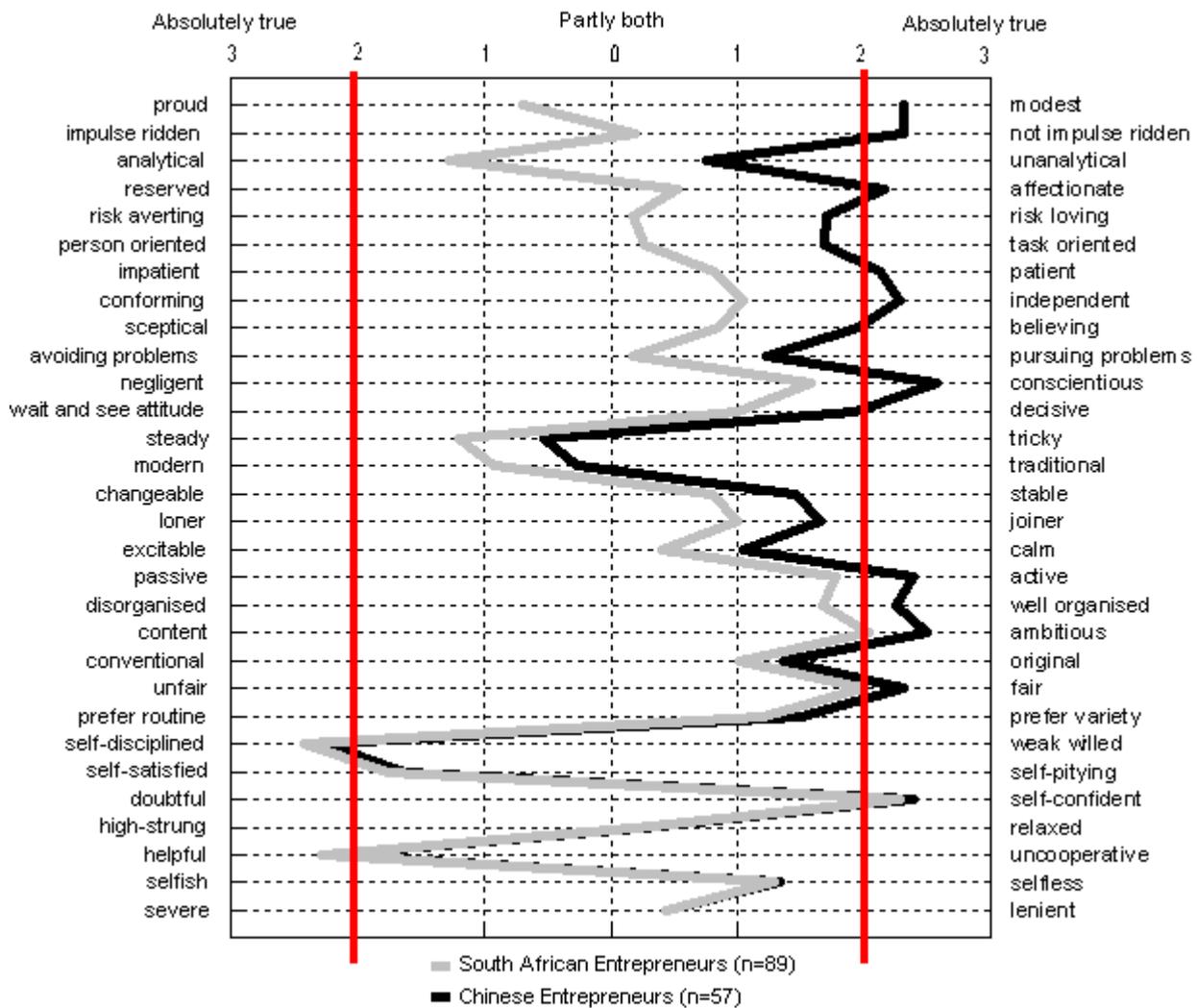


Figure 1: Self concept of Chinese and South African entrepreneurs.

In our research we approached the personality of entrepreneurs by using a semantic personality inventory. The analysis of the scaled judgements of personality characteristics in the Chinese and South African samples showed that a number of descriptors were ranked between 2 (rather true) and 3 (absolutely true) and that these descriptors could be classified into three groups.

The first group contains elements of the target orientation of entrepreneurs, such as ambitious (PRC, mean=2.49, N=55; SA, mean=2.04, N=89), active (PRC, 2.39, N=56), self-confident (PRC, 2.39, N=57; SA, 2.28, N=89) and independent (PRC, 2.27, N=56).

The second group characterises how the entrepreneur is likely to reach his goals. These descriptors include self-disciplined (PRC, 2.25, N=57; SA, 2.41, N=89), well-organised (PRC, 2.35, N=55), not impulse ridden (PRC, 2.30, N=57), and patient (PRC, 2.12, N=56).

The third group consists of moderating personality factors influencing the target orientation as well as the means of strategic use, such as helpful (PRC, 2.22, N=55; SA, 2.27, N=89), fair (PRC, 2.31, N=55; SA, 1.99, N=89), modest (PRC, 2.30, N=56), selfless (PRC, 2.33, N=55), conscientious (PRC, 2.56, N=57), and affectionate (PRC, 2.16, N=56).

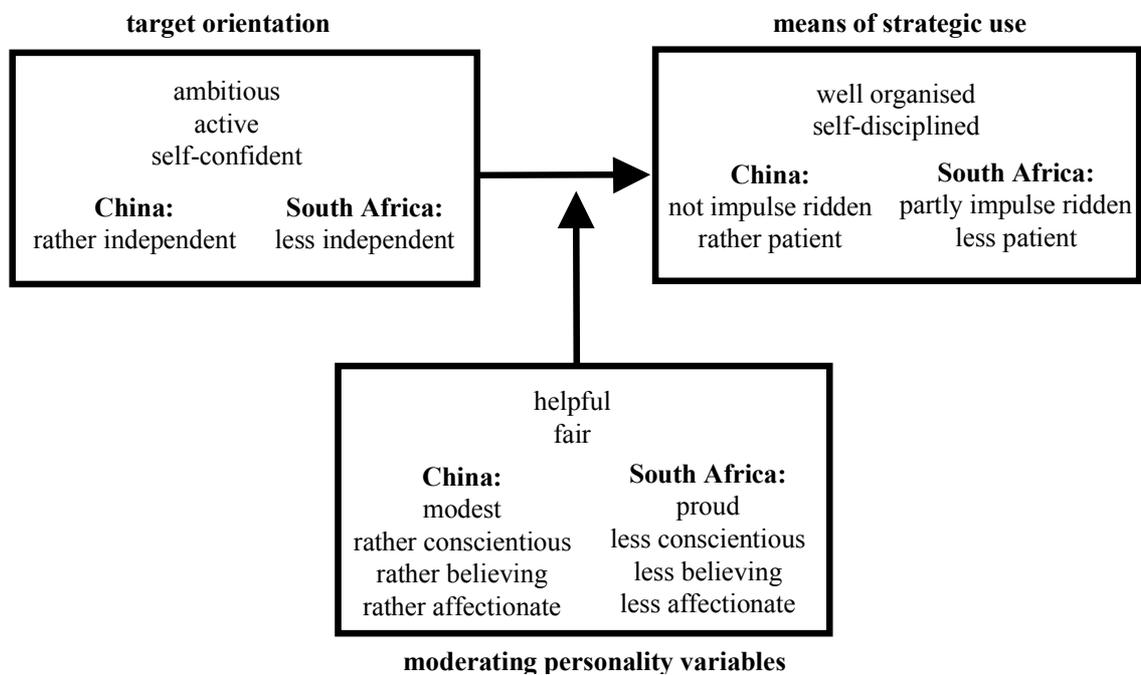


Figure 2: Core items in the self-concept of Chinese and South African entrepreneurs.

Analysing and comparing the personality profiles of the Chinese and the South African entrepreneurs, similarities were revealed in the target orientation (adjectives like self-satisfied and self-confident). In comparison, major differences appeared in the means of strategic use. Chinese entrepreneurs describe themselves as more inclined towards planning and as more task oriented and holistically oriented. Their South African counterparts see themselves, on the contrary, as more analytical, less risk-loving, and partly person oriented.

The moderating personality variables influencing the means of strategic use also show differences: in China, for example, the virtue of modesty is a high value, as are the habits of understating business success and placing workmanship in the foreground. Taken together, these personality factors can be integrated to form a mode of social obligation of the Chinese entrepreneur. In SA, on the other hand, entrepreneurs are proud of what they have achieved, and they are partly reserved and less patient than their Chinese counterparts. From the comparison of differences and similarities, the overall conclusion can be drawn that the special cultural environment of a society demands different strategies even when the same target orientation exists.

The profile of South African entrepreneurs is an aggregation of profiles from the different ethnic groups (Black, Coloured, Asian, and White) in the sample. Analysing the four ethnic groups separately, we found that differences also appeared in the use of effort and in the moderating personality variables. However, the distinction between the population groups within the South African sample is clearly smaller than between the PRC and SA. (See also Table 4.) Therefore the essence of our finding remains the same and confirms our thesis of entrepreneurial action depending on the cultural environment.

Items	PRC and SA			Ethnic groups in SA	
	Absolute difference (Mean)	Mann-Whitney-Test U-Test		Kruskal-Wallis Test (H-Test)	
		p	N	p	N
proud – modest	2.99	0.001	138	0.629 (n.s.)	89
impulse ridden – not impulse ridden	2.11	0.001	136	0.683 (n.s.)	86
analytical – unanalytical	2.03	0.001	129	0.415 (n.s.)	81
reserved – affectionate	1.63	0.001	132	0.221 (n.s.)	82
risk averting - risk loving	1.53	0.001	138	0.209 (n.s.)	88
person oriented - task oriented	1.43	0.001	137	0.382 (n.s.)	88
impatient – patient	1.30	0.001	138	0.007	89
conforming – independent	1.23	0.001	132	0.643 (n.s.)	82
sceptical – believing	1.11	0.001	137	0.224 (n.s.)	88
avoiding problems – pursuing problems	1.06	0.010	138	0.805 (n.s.)	89
negligent – conscientious	0.99	0.001	137	0.740 (n.s.)	87
wait and see attitude – decisive	0.94	0.014	132	0.056	82
steady – tricky	0.67	0.029	136	0.192 (n.s.)	87
modern – traditional	0.66	0.067	137	0.576 (n.s.)	89
changeable – stable	0.66	0.179 (n.s.)	138	0.472 (n.s.)	89
loner – joiner	0.65	0.014	125	0.159 (n.s.)	76
excitable – calm	0.65	0.134 (n.s.)	137	0.127 (n.s.)	87
passive – active	0.61	0.010	133	0.126 (n.s.)	84
disorganised - well organised	0.58	0.009	133	0.263 (n.s.)	84
content – ambitious	0.45	0.005	136	0.035	88
conventional – original	0.35	0.219 (n.s.)	131	0.636 (n.s.)	82
unfair – fair	0.32	0.326 (n.s.)	134	0.071	84
prefer routine - prefer variety	0.31	0.384 (n.s.)	129	0.858 (n.s.)	82
self-disciplined - weak willed	0.16	0.709 (n.s.)	132	0.317 (n.s.)	83
self-satisfied - self-pitying	0.14	0.377 (n.s.)	129	0.048	80
doubtful – self-confident	0.11	0.189 (n.s.)	139	0.177 (n.s.)	89
high-strung – relaxed	0.07	0.928 (n.s.)	132	0.332 (n.s.)	83
helpful – uncooperative	0.05	0.790 (n.s.)	132	0.001	83
selfish – selfless	0.05	0.608 (n.s.)	130	0.417 (n.s.)	81
severe – lenient	0.00	0.971 (n.s.)	132	0.561 (n.s.)	87

Table 4: Differences in the self-concept between Chinese and South African entrepreneurs and between the ethnic groups in SA.

Note: The level of significance is generally set to 10% ($p=0.100$) for all the tests provided in this article. The items above this level are not significantly different (n.s.) between the PRC and SA.

4.2 Entrepreneurial motivation

Various reasons can underlie the decision to establish an enterprise. On the one hand, entrepreneurship can initially be understood as a means towards the attainment of other objectives, particularly such considerations as gaining income, power, and status. In this case it could be the result of a fundamentally positive attitude towards doing independent business forced by pull factors. On the other hand entrepreneurship might be the result of unemployment, a lack of job opportunities, or family tradition. These push factors reflect external influences on the decision to become an entrepreneur.

In our surveys, we have asked the entrepreneurs their reasons for ending their previous vocational activities and setting up their own companies. Chinese entrepreneurs mainly give pull factors as explanations, such as wishing to use and enlarge their own capabilities (41.7%) and making profits and earning high income (33.3%). Push factors are also given, including changes in governmental policy towards private companies (15.0%), dissatisfaction with former living conditions (18.3%), or dissatisfaction with former working conditions (28.3%). The argument named last reflects a lack of praise and sometimes even criticism for their work in state-owned enterprises as well as a decision to take the initiative to escape potential unemployment due to restructuring measurements.

In the SA sample the most important reason given for establishing a company was to reach personal independence (57%). For entrepreneurs of all ethnic groups this is the main motivation, and compared to the Chinese sample the discrepancy can be partly explained by cultural behaviour and background. The second most important reason was realizing market opportunities and needs: 37.2% of the entrepreneurs established their businesses for that reason. Especially White business owners (44.4%) began actively looking for opportunities to create viable enterprises with the start of the transformation of the political and macroeconomic environment in SA; for 33.4% of Black entrepreneurs this was an important reason, too.

The lack of job opportunities (25.6% in total) is in third place; this reflects the tense situation of the labour market, especially for Black and Coloured South Africans. More than 30% of the Black and almost 60% of the Coloured entrepreneurs founded their businesses for that reason alone, compared with 0% for Asians and 15.5% for Whites; none of the Chinese entrepreneurs mentioned that reason.

Realizing personal values and goals was the motivation for 23.1% of the South African business owners. Making profits and earning a high income (19.8% in the total sample) is a very important reason for Blacks (23.8%) and especially Coloureds (41.2%). As in the PRC, pull factors also predominate in total, except for among Coloured entrepreneurs.

	SouthAfrica				South Africa Total	China Total
	Black	Asian	Coloured	White		
Pull factors:						
Using one's own capabilities	4.8 %	0.0 %	0.0 %	0.0 %	1.7 %	41.7 %
Making profits and earning high income	23.8 %	3.2 %	41.2 %	8.9 %	19.8 %	33.3 %
Realising market opportunities and needs	33.4 %	29.4 %	17.6 %	44.4 %	37.2 %	25.0 %
Reaching personal independence	69.0 %	58.8 %	35.3 %	53.3 %	57.0 %	8.3 %
Realising personal values and goals	26.2 %	11.8 %	17.6 %	26.7 %	23.1 %	6.0 %
Push factors:						
Dissatisfaction with former working conditions	0.0 %	0.0 %	5.9 %	2.2 %	1.7 %	28.3 %
Dissatisfaction with former living conditions	2.4 %	11.8 %	0.0 %	0.0 %	2.3 %	18.3 %
Changes in economic policy	7.1 %	5.9 %	5.9 %	0.0 %	4.1 %	15.0 %
Continuing family tradition	0.0 %	17.6 %	5.9 %	4.4 %	5.0 %	1.7 %
Lack of other opportunities / unemployment	33.4 %	0.0 %	58.8 %	15.5 %	25.6 %	0.0 %
N	42	17	17	45	121	60
Missing values	0	0	0	0	0	5

Table 5: Motivation of Chinese and South African entrepreneurs. (Percentages exceed 100 due to multiple responses.)

4.3 Entrepreneurial objectives

Research on the objectives for starting entrepreneurial firms distinguishes between the already mentioned personal objectives of the entrepreneur on the one hand and those for his business on the other (Galais 1998; Bamberger 1990; Scheinberg and MacMillan 1988). Our next figure shows the degree of importance of various business objectives for the entrepreneurs in our research.

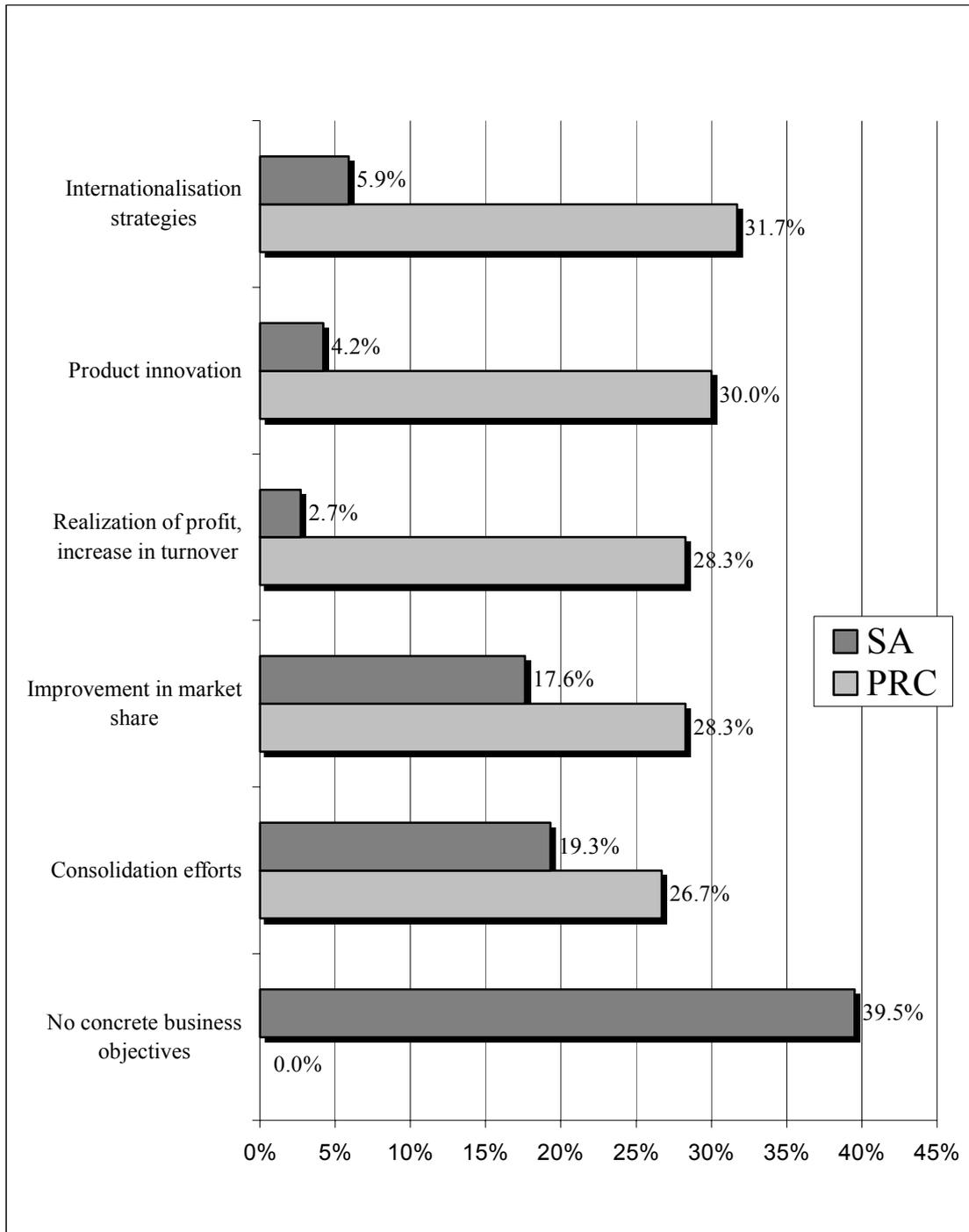


Figure 3: Business objectives for Chinese and South African entrepreneurs.

Note: Selection. SA: N=119, single response, 2 missing cases; PRC: N=60, multiple responses, 6 missing cases.

The aims of entrepreneurs for the further development of their businesses are in close connection to their motivation. More than 39% of nonwhite business owners (for Whites, only 9.1%) do not have a concrete aim for the further development of their enterprise (Blacks: 52.8%, Coloureds: 62.6%,

Asians: 17.7%). These data have a highly significant positive correlation with data for entrepreneurs who founded their businesses because of a lack of job opportunities. Therefore it can be assumed that as soon as these entrepreneurs find better work, they will close their businesses. Most of the business owners without further plans are also part of the informal sector. Expansion (to get a larger market share) is the most important goal for 27.7% of the nonwhite entrepreneurs; Asians are especially growth oriented: expansion (41.1%) and increasing export activities (29.9%) are the primary targets for them. They also have on average the largest companies in the sample, which can be seen as a successful target orientation. For around 20% of Black and Coloured entrepreneurs, expansion of market share is also an important target. Because of the changed political and economic environment – e.g., companies cooperating with public enterprises or governmental institutions need to have Black business partners, so there is a shift in governmental demand – stabilisation (of finances and market share) is the main target for development for White entrepreneurs (38.6%), while only 11.8% are aiming for expansion of market share.

Switching to the Chinese situation, the obvious strategic disorientation of entrepreneurs in SA is not in evidence. All entrepreneurs clearly named objectives for their businesses, which can be divided into three major groups. In line with our expectations is the fact that business expansion strategies (50%), internationalisation efforts (31.7%), and improvement of market share (28.3%) have the highest scores: this is a renewed expression of the rapid development of the private sector in China. Increasing turnover and realising profits (28.3%) was also featured among the most important personal motives. In the second place a group of so-called business survival factors follow, reflecting the second stage after a period of fast development; these factors include consolidation strategy (26.7%), product innovation (30%), and higher quality (31.7%). The third group of objectives is specific to the Chinese situation: compared to international standards, the level of production technology is still low and has to be improved. (This was cited as a goal by 23.3% of entrepreneurs.) Another reported goal, sound liquidity and financial independence (6.7%), stems from the fact that private businesses in China until recently did not normally get loans from banks that are state controlled. From the perception of entrepreneurs, state-owned banks still offer loans more on the basis of political considerations than economic ones.

4.4 Business strategy and firms' characteristics

The choice of products and markets constitutes a major strategic decision for all firms. The entrepreneur determines his firm's position in the market and the kind of business (or businesses) the firm wants to be in by his choice of business strategy. The characteristics of a firm's products and markets influence the functional strategies as well as the organisational structure and management systems. Especially in entrepreneurial firms, decisions on products and markets are strongly interdependent with the competitive advantages and disadvantages of the firm. In this respect the type of competitive advantage(s) the firm wants to develop or maintain is - according to the research of Bourgeois (1985) and Dess, Lumpkin, and Covin (1997) - strongly related to the firm's development strategies.

From the personal point of view, for 45.8% of the entrepreneurs in SA product quality is the most important competitive advantage of their business. In second place for all ethnic groups, with a distinct interval, follows customer service (12.5%). In third place is advanced management (6.7%). Differences between Black- and White-owned companies appear: while Black entrepreneurs think their Black origin is, at a time of Black economic empowerment and the corresponding political situation, their major competitive advantage in the market, White business owners believe their management experience in a niche market is responsible for their success. Increased flexibility is for 6.6% of the entrepreneurs in the SA sample the most competitive advantage of their company, while competence of workers is not mentioned at all, compared with our Chinese survey.

Product quality has the highest score in China, too (61.7%). A surprising difference between our PRC sample and the results from SA is that 53.3% of Chinese entrepreneurs in our sample (and 0.0% in SA) argue that their competitive advantage is due to their workforce, which is highly motivated and achievement oriented. This answer corresponds to the mode of social obligation as a moderating personality factor and leads to the question, what are the objectives of the entrepreneur as an employer?

The quantitative aspects of the provision of employment come first in this regard: offering jobs and securing income for the workforce. Qualitative aspects of employment, i.e., regular vocational training, good working conditions, and corporate culture, are ranked less important. This attitude of Chinese entrepreneurs reflects the developmental stage of the Chinese economy, in which the basic needs of the people are still not satisfied. (E.g.,

living conditions are often poor and health care inadequate.) Reputation of the company (36.7%), flexibility of the firm (33.3%), good production techniques (30.0%), service orientation (28.3%), and managerial experience (25.0%) rank in third, fourth, fifth, sixth, and seventh places.

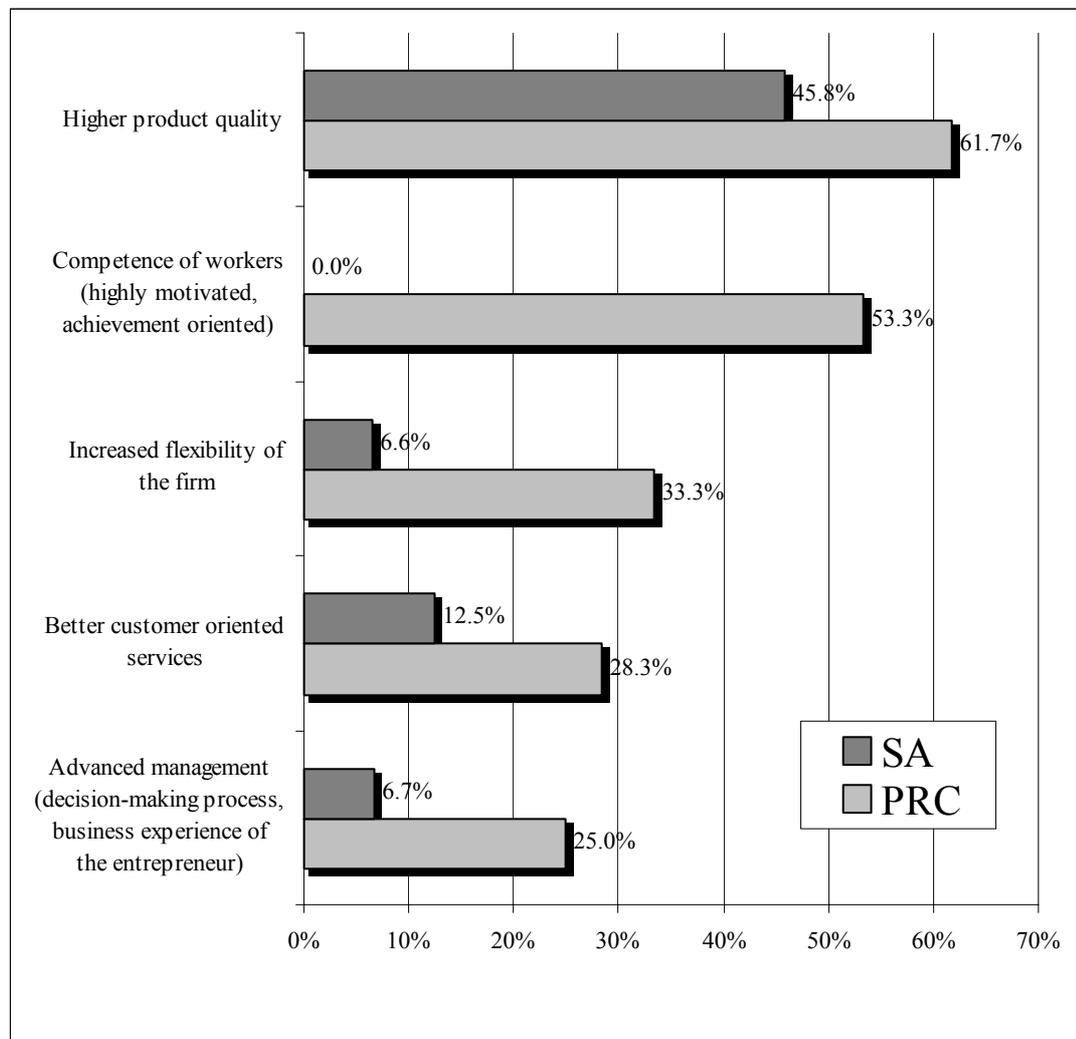


Figure 4: Competitive advantages of Chinese and South African SMEs.

Note: Selection. SA: N=120, single response, 1 missing case; PRC: N=60, multiple responses, 2 missing cases.

In our analysis of the capital structure of enterprises in SA, we found that more than 80% use their own capital resources only (this was true for the year of foundation as well as for 1998 to 2000), since access to the highly developed and White-dominated capital market for SMEs is restricted. From the point of view of SME entrepreneurs in SA, financial restrictions are the most serious problem (57.9% of all groups), especially for Black- (78.6%) and Coloured- (82.4%) owned businesses, - similarly to SMEs in

Tanzania and Nigeria. In SA the coordination of cash flow dominates as a reason for this problem, while market restrictions are only perceived as a present limit. For 29.4% of Asian companies and 40% of White companies financing is a serious problem. For them employees' motivation and formal education is most difficult (Whites: 46.7%, Asians: 58.8%, Blacks: 21.4%, Coloureds: 17.6%). The staff in all companies in the sample have nearly the same degree of education (and are predominantly Black); the conclusion is clearly that cultural differences between the ethnic groups result in different perceptions of the problem. Also a common difficulty for all enterprises in the sample is narrowed distribution channels (38.8% of total). Astonishing in this context is the fact that the phenomenon of criminality is not mentioned as a major problem, in contrast to German companies in SA, for which crime is the most serious problem (Gütschleg 1999).

Our Chinese survey confirms, together with the results from the SA sample, the widely held thesis that SMEs are predominantly self-financed and that retained earnings are of high or very high importance in their financial structure. We also have to take into account that access to capital markets is still very difficult for private enterprises in China. It is not surprising that financing problems in comparison to the state-owned and collective sector are cited first by Chinese entrepreneurs (28.3%). Second, one-quarter of the sample claim that they have difficulties in obtaining and retaining skilled workers, which they urgently need for further expansion. State-owned firms still have the reputation of offering greater job security and social benefits (i.e., residence rights, housing, health, and educational benefits). Even if private companies are willing to pay a higher wage than state firms, many university graduates do not want to work for a Chinese private enterprise. Third, 18.3% of the Chinese entrepreneurs admit that their formal qualifications and managerial experience do not fully satisfy their companies' needs. Therefore they have to hire managers to bring in additional managerial or other specific skills. Reflecting economic uncertainties, the private enterprises in our sample tend to recruit staff in an informal way, with an eye on reducing their risks by using an extensive trial period with less payment. This trial period may help entrepreneurs to identify qualified people, but on the other hand it discourages highly talented people. Offers of lower wages and uncertain career prospects make it almost impossible to recruit qualified and talented people.

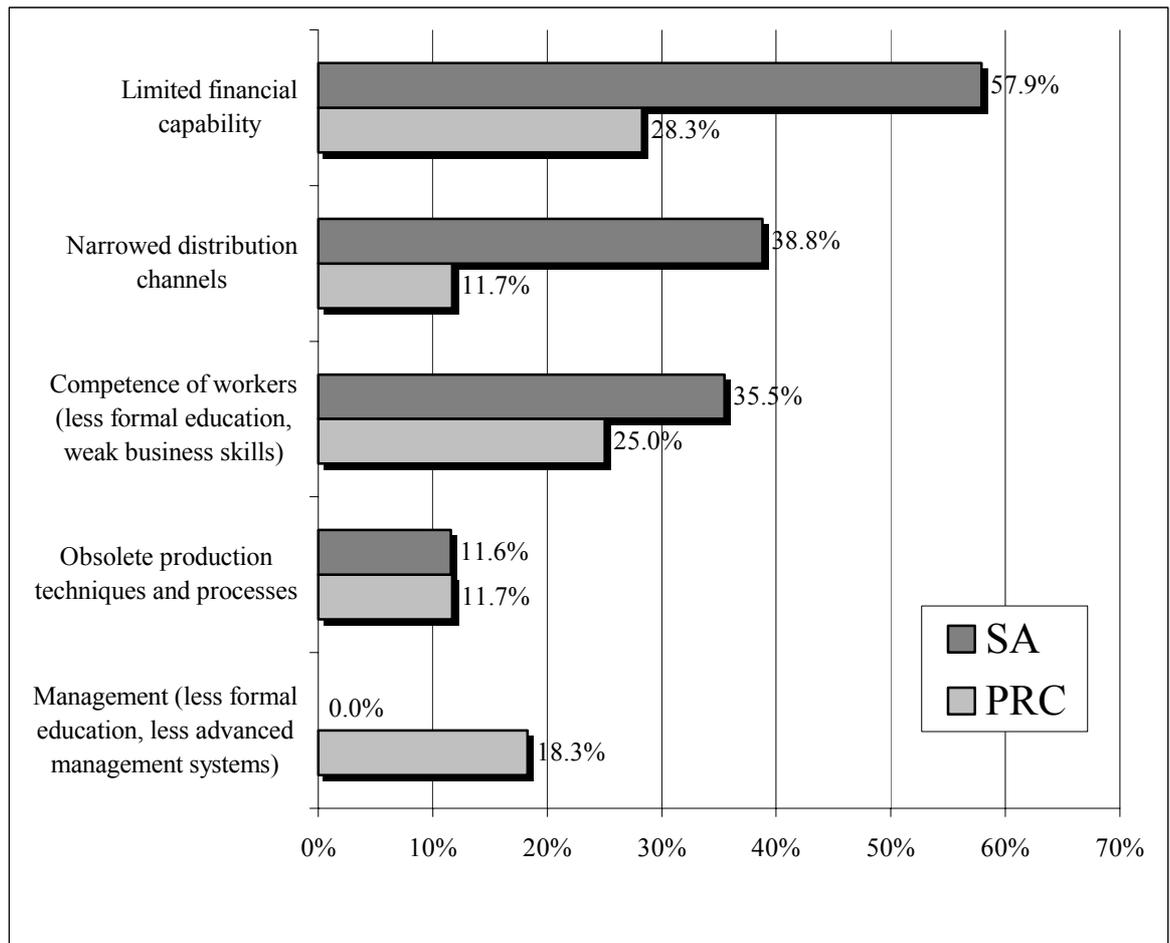


Figure 5: Competitive disadvantages of Chinese and South African SMEs.

Note: Selection. SA: N=121, multiple responses; PRC: N=60, multiple responses, 11 missing cases.

In the SA sample, improvement of product quality is the preferred business strategy for around 40% of Black and Coloured entrepreneurs (multiple responses to this question). Asian and White entrepreneurs pursue these strategies to a higher extent (52.9% and 55.6%); this is compatible with personal views of competitive advantages. Cost cutting ranks in total in the second position (35.5%). Asian entrepreneurs demonstrate a higher degree of cost consciousness: 58.8% of them use this strategy. Both strategies might be reactions to increasing competition from permanent, newly founded SMEs and – since the end of international trade sanctions – from high-quality products of industrialised countries. In the third position follows the strategy of product differentiation. In total 19% of all entrepreneurs in the sample use it, but here also differences between the ethnic groups can be detected: for Black and Coloured entrepreneurs this is not a main strategy (14% and 5.9%), while 22.2% of White and 35.3% of Asian business owners use product differentiation to strengthen their market posi-

tions. In the sample 21.4% of Black and 41.2% of Coloured entrepreneurs do not have a special business strategy at all; these are mainly the same entrepreneurs who do not have concrete objectives for their businesses and who also became entrepreneurs because of the lack of job opportunities.

In the PRC sample the strategic orientation of private enterprises tends to be the same as for the South African Asian and White entrepreneurs. The quality of products is considered as the most important factor in getting a competitive advantage in the market; 43.3% of the Chinese entrepreneurs we investigated attribute importance to it. Second, we found a strong orientation towards the firm's customers, in terms of reliability of delivery and service performance (36.7%). Cost leadership strategies were named by 25% of the firms, coming in third.

Order	South Africa				PRC
	Blacks	Coloureds	Asians	Whites	
Position 1	Sales/Marketing	Production	Managing	Managing	Sales/Marketing
Position 2	Production	Managing	Supervising	Sales/Marketing	Planning
Position 3	Supervising	Supervising	Production	Planning	Managing

Table 6: Tasks on which entrepreneurs in Chinese and South African SMEs spend most of their time.

Note: SA: N=120, multiple responses, 1 missing case; PRC: N=60, multiple responses, 5 missing cases.

The set of changes that smaller, younger firms need to make as they grow constitute the transition to more professional management, which is mainly characterised by delegation of decision-making responsibility and the use of formal control systems. In investigating the management of businesses, we discovered that 71% of Black entrepreneurs in SA do not delegate responsibility for tasks to employees at all (independently of the size of the enterprise); this behaviour can be found among Black business owners in most African countries and reflects a general apprehension about letting others influence the company. For most nonwhite entrepreneurs, production and supervising are both important parts of their daily activities, while either marketing or managing, but not both, rank high among typical core tasks. White business owners, on the other hand, concentrate on desk work and mostly delegate production and sales. So a precious resource - the

entrepreneur's time - is used differently by nonwhite and White entrepreneurs. In our Chinese sample entrepreneurs spend most of their effort on marketing and sales activities. Attention is given second to planning and third to managing tasks. Our findings from the PRC and SA clearly indicate that the management of the enterprises in our sample is still in the process of formation (entrepreneurial stage), which relies on centralised decision making and informal, personal control.

4.5 Business success

Prior theory and research in the fields of industrial organisation, strategic management, and entrepreneurship suggest that measures of business performance should be based on objective criteria, such as employment, capital, annual turnover, annual profit, and the development of these figures (Nöcker 1999; Brüderl, Preisendörfer, and Ziegler 1996; Chandler and Hanks 1993; Murphy, Trailer and Hill 1993; Venkatraman and Ramanujam 1986; Bourgeois 1980). We acknowledge that other measures of performance - such as return on assets, return on equity, and return on sales, as suggested by Robinson and McDougall (1998) - are also important indicators of business performance, but these are difficult to find, since officially published company data are not available. In addition to the first-mentioned measurements of business performance we use more subjective criteria whereby we measure success as a function of entrepreneurs' personal satisfaction with the development of their companies.

From the subjective point of view, in SA the majority of nonwhite entrepreneurs are more dissatisfied with the general development of their companies (49.5%) than satisfied (37.5%), while 13% are partly both. In contrast 62.2% of the White entrepreneurs are satisfied, while 28.9% are dissatisfied and 8.9% are partly both. One main reason for the difference between the ethnic groups is the difference in perceptions of political and macroeconomic development in SA and the consequences for business: while nonwhite business owners expected a more dynamic integration in the whole economy, White entrepreneurs dreaded to lose massive market share in the process of socioeconomic and political transformation. The degree of entrepreneurs' satisfaction with the development of their companies in our Chinese sample shows three nearly equal groups. In the PRC, 31.7% of entrepreneurs claim that they are satisfied, 26.7% are partly both, and 25% are dissatisfied. This result is somewhat surprising because nearly all

companies in our Chinese sample achieve positive performance according to objective criteria. The reasons given by the entrepreneurs focus on comparisons with other successful private enterprises, a lack of managerial skills, and the general principle that a sense of satisfaction is bad for further business development.

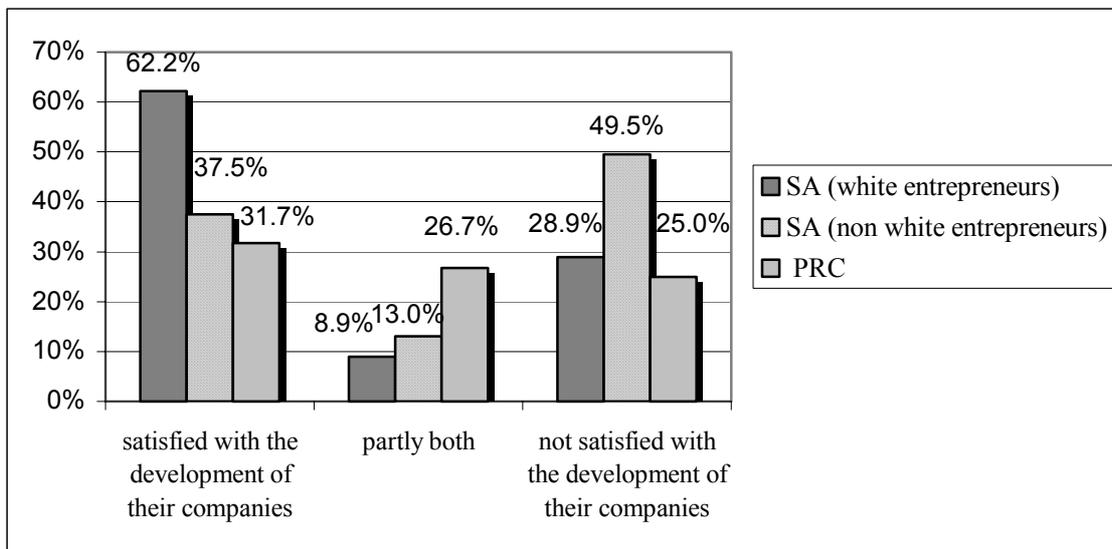


Figure 6: Perception of success by Chinese and South African entrepreneurs.

Note: SA: N=120, single answers; PRC: N=60, single responses, 10 missing cases.

To measure the growth of the firms studied, we chose two of the more traditional indicators: capital growth rate and the growth rate of employment. In the SA sample the average annual rate of capital growth is 35.9%. Black entrepreneurs show the highest rate (59.1%), but this indicates the statistical basis effect, because they have the lowest average amount of starting capital (US\$3,000) – similarly to Coloured entrepreneurs (growing at 27% each year); other indicators, e.g., return on investment, do not show the same advantage for Black-owned businesses. Also, the growth rate of employment (12% annually, starting with 6 employees on average; Coloureds: 14%, starting with 2 employees on average) is low compared with Asian and White businesses. Asian-owned enterprises show a 20% rate of capital growth, but they also have the highest starting capital (US\$42,000) and also the most employees (23) in the year of foundation. White enterprises, with an average starting capital of US\$14,000, show a growth rate of 47.2%; these companies also have the highest average annual employment growth rate (16.6%), starting with 16 employees on average. Other indicators for business success (yield on turnover, turnover per

employee, and return on investment) show that in general Asian- and White-owned enterprises seem to be more successful with their strategies than Black or Coloured businesses.

The indicator “growth in number of employees” shows an average rate of 81.4% in our Chinese sample. The entrepreneurs who characterise themselves as not satisfied with their business development achieve an annual growth rate of 78.6%, while those who are partly both (satisfied and dissatisfied) show a growth rate of 92.3%. Those entrepreneurs who are satisfied achieve a growth rate of 75.1%. The average rate of capital growth is 17.6%, with an average starting capital of US\$84,583 (RMB761,250). Dividing this figure into our three classes, the group of satisfied entrepreneurs achieve annual growth of 14%; those who are partly both, annual growth of 29.1%; and those who are not satisfied, only 1.6%.

We have also tested the interrelation between different business strategies, companies’ variables, motivation, and performance figures. (See table 7.) Regarding the age of an enterprise, the strategy applied differs between the companies. Because there is no significant difference in the Kruskal-Wallis Test, the results indicate only that the older the enterprise, the greater the tendency to apply more focus-oriented strategies. In general it seems that different strategies reflect different phases of a company’s life cycle: while in the beginning, an increase in market share is the main intention, later on mixed strategies are applied to determine successful strategies that should be intensified (like cost leadership or focus). Significantly different are the size of a company (in terms of number of employees) and the business strategy: the use of a clearly defined business strategy (cost leadership, focus, and differentiation) is much higher for larger enterprises.

In our sample there is also a strong positive correlation between the age of an enterprise and the company’s size. Moreover, we discovered a significant difference between the motivation of the entrepreneur and the business strategy applied: Entrepreneurs forced by pull factors to start their businesses tend to have a precise strategic view about what to do and how to do it, whereas entrepreneurs who are reacting to external pressure (push factors) tend not to operate with clearly defined business strategies. Differences between the business strategy and growth rate of employment, as a measure of business success, can be detected by tendency. Most successful companies in terms of growth rate of employment applied differentiation as their market strategy, while least successful companies have not defined a particular strategy. In terms of growth rate of starting capital no signifi-

cance arises, because of the statistical basis effect mentioned earlier. Also, the statistical test for a relationship between satisfaction of the entrepreneur with the development of the company and the company's business strategy shows no significance: here the personal scale for success is more important.

		Business strategy						Kruskal-Wallis-Test
		Cost Leadership	Differentiation	Focus	Increase market share	Mixed strategies	Strategy not defined	
Age of enterprise	middle rank	95.3	91.0	111.1	57.7	81.8	93.3	p=0.205 (n.s.)
	N	25	72	19	9	32	22	
Number of employees	middle rank	107.7	98.1	106.0	66.3	89.7	36.5	p=0.001
	N	23	71	20	9	31	22	
Motivation	middle rank	97.3	94.6	78.1	85.4	79.7	114.9	p=0.070
	N	25	73	20	9	32	22	
Growth rate of capital	middle rank	69.2	76.3	67.7	88.3	78.6	74.3	p=0.694 (n.s.)
	N	20	56	16	7	25	22	
Growth rate of employment	middle rank	90.5	94.6	85.5	86.8	82.8	64.1	p=0.149 (n.s.)
	N	21	68	20	9	29	22	
Satisfaction with development of their companies	middle rank	83.3	82.9	97.9	77.1	84.6	93.8	p=0.763 (n.s.)
	N	24	69	18	8	30	22	

Table 7: Interrelation between business strategy, companies' variables, motivation, and performance figures (combined full sample for SA and PRC).

5. Conclusions and implications

In our research we have attempted to illuminate many hidden facets of economic reform in the PRC and SA through direct observations of the decisions and practices of entrepreneurs as actors at work and in the

marketplace. This is the approach we took to explore the meaning of the broader political and institutional changes underlying the economic transition in both countries. Our reasoning has been that if we are truly to understand the meaning of broader institutional changes, we must examine the ways in which these institutional transformations have meaning for economic actors. Changes at the governmental level and in the legal, regulatory, financial, institutional, and physical framework at the state level are important, but we can only begin to understand their true meaning by observing the ways they are adopted and employed by entrepreneurs.

In the previous sections we have explored a number of the practices and market activities adopted by entrepreneurs in both transitional economies. In general we have shown that the specific environment of each society demands, despite the same target orientation of Chinese and South African entrepreneurs, different strategies towards their firms' stakeholders (e.g., employees and customers). The decision to set up one's own business is heavily influenced by the broader political and institutional changes of the economy as it makes its transition. In analysing the personal goals involved with the new venture, a common chief aim was found to be making profits and earning high income for the purpose of attaining a higher standard of living (e.g., better housing conditions and health care). When the founding of a new venture is forced by the lack of other job opportunities – which particularly reflects the case of South Africa - the entrepreneur cannot cite a concrete aim for the further development of his enterprise.

It can be assumed that as soon as such businessmen find better work, they will close their businesses. When entrepreneurs choose to stay in the market in both countries they aim to improve the quality of their products and to offer remarkable service to their customers. However, the main hindrance for further development is financial restrictions, reducing the growth rate to that made possible by predominantly self-financed investments. In general the strategies and practices of the entrepreneurs in both countries still reflect economic uncertainty, leading to risk-spreading behaviour and investments in quick-return markets. As economic uncertainty is strongly related to administrative uncertainty and how reforms are enacted in economies in transition, we have examined the ways that entrepreneurs in SA and the PRC are experiencing reforms.

The different ethnic groups in SA face different prospects for the development of the enterprise sector and for the whole macroeconomic situation (mainly corresponding to the problems of their own businesses). For the

majority of Black and Coloured entrepreneurs (more than 54%), better access to credit facilities is the best chance for development, and for one-third of them a better vocational training system could also lead to economic growth. In contrast, for Asian and White entrepreneurs (50%) a reduction of the company tax burden would be the best way to improve their macroeconomic prospects, and for about 40% deregulation of labour restrictions would be the best way to reach economic growth. Governmental SME support is still not well structured, and success up to now has been limited; in contrast, those supported privately, with venture capital programs and capacity-building activities, outperform all other enterprises in terms of business success.

Considering the process of transformation in SA, it is no surprise that Black entrepreneurs expect further improvements in their macroeconomic situation, while more than 70% of White business owners have negative perceptions about macroeconomic development. Asian and Coloured entrepreneurs also have negative expectations, possibly because they were favoured against the Black population during apartheid, which leads - from their point of view - to slight discrimination nowadays.

Currently in the PRC, the government and the CCP are engaged in the project of constructing market institutions. WTO accession means an open market and survival of the fittest. Even though there have been closures, the government and local opposition have hindered the process of shutting down all unprofitable enterprises. Several reforms, like the revision of taxes on farmers, the reorganisation of the state welfare system, and the reform of state-owned enterprises (SOEs) have been delayed. A freeze by the government has been put on the sale of state shares on the stock market and on bankruptcies of the bigger SOEs. The reason is mainly the social consequences that would come with joblessness and the high cost of reforming the SOEs. Compared with private entrepreneurs, the SOEs are therefore still enjoying preferential treatment through government policies and regulations. It is not surprising, then, that in our Chinese sample 42% of the entrepreneurs claim that there are still disadvantages when compared with state-owned enterprises. Even today, SOEs continue to enjoy greater access to raw materials, financial resources, and rental real estate.

Entrepreneurs in a rapidly changing economic environment need clear guidelines on establishment, growth, enforceable commercial arrangements, and reorganizing or closing a business. The Chinese government has been enacting numerous laws in order to provide a regulatory framework in line

with a new economic structure that includes a private sector. Nevertheless, as the entrepreneurs in our sample criticise, there is still a long way to go. Private enterprises must make their way through a minefield of complex and often contradictory rules and regulations. (In our survey 27.7% made this complaint.) On top of that, the vague and confused legal system offers many opportunities for local bureaucratic harassment in the form of collecting license fees, charges, penalties, and the like from private business owners (31.7%). Still, 30% of the Chinese entrepreneurs in our sample fear that a change of political leaders at the top may cause drastic policy shifts. There is still not too much confidence by private entrepreneurs in the government's promises of supporting the private sector in the PRC.

Asking local authorities about the present situation and future development of private businesses in China and of nonwhite businesses in South Africa, we learned that they see the situation as constantly improving. But, they admit, it will take time to build up credibility. Promises are easy to make, but credible promises are another thing.

Appendix

Complete semantic personality inventory as used to capture the self-concept of entrepreneurs (English-language version).

How do you see yourself in business life: In general, are you more or less: (Please mark only one field for each line; if you are not sure, strike out the line = no answer)

	absolutely true	rather true	more true	partly both	more true	rather true	absolutely true	
	3	2	1	0	1	2	3	
Doubtful	<input type="checkbox"/>	Self-confident						
Active	<input type="checkbox"/>	Passive						
Conventional	<input type="checkbox"/>	Original						
Selfless	<input type="checkbox"/>	Selfish						
Well organised	<input type="checkbox"/>	Disorganised						
Negligent	<input type="checkbox"/>	Conscientious						
Proud	<input type="checkbox"/>	Modest						
Analytical	<input type="checkbox"/>	Unanalytical						
Risk averting	<input type="checkbox"/>	Risk loving						
Relaxed	<input type="checkbox"/>	High-strung						
Not impulse ridden	<input type="checkbox"/>	Impulse ridden						
Joiner	<input type="checkbox"/>	Loner						
Tricky	<input type="checkbox"/>	Steady						
Severe	<input type="checkbox"/>	Lenient						
Stable	<input type="checkbox"/>	Changeable						
Ambitious	<input type="checkbox"/>	Content						
Avoiding problems	<input type="checkbox"/>	Pursuing problems						
Prefer variety	<input type="checkbox"/>	Prefer routine						
Task oriented	<input type="checkbox"/>	Person oriented						
Self-pitying	<input type="checkbox"/>	Self-satisfied						
Excitable	<input type="checkbox"/>	Calm						
Decisive	<input type="checkbox"/>	Wait and see attitude						
Conforming	<input type="checkbox"/>	Independent						
Believing	<input type="checkbox"/>	Sceptical						
Unfair	<input type="checkbox"/>	Fair						
Self-disciplined	<input type="checkbox"/>	Weak willed						
Uncooperative	<input type="checkbox"/>	Helpful						
Modern	<input type="checkbox"/>	Traditional						
Reserved	<input type="checkbox"/>	Affectionate						
Impatient	<input type="checkbox"/>	Patient						

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