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Stephen Weiner

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The Rise of Chinese Entrepreneurship: Study of the Changing Attributes, Motivations and
Perceptions of Present-Day Entrepreneurs

by

Stephen Weiner

Dr. Rong Cai, Ph. D
Adviser

Department of Russian and East Asian Languages and Cultures

Dr. Rong Cai, Ph. D
Adviser

Dr. Jia-Chen Fu
Committee Member

Dr. Bin Xu
Committee Member

Andrea Hershatter
Committee Member

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Abstract

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By Stephen Weiner

Entrepreneurs are an essential part of modern Chinese society. Over the past four decades, as reform policies transformed China and its economy, entrepreneurs have played a key role in the country's massive economic development. This paper examines the attributes, motivations and perceptions of present-day Chinese entrepreneurs to understand why they are starting companies. In the first two chapters, it discusses the extent to which entrepreneurs, who were repressed during the Maoist era (1949-1978), became a focus of economic reforms that began in 1978. It details the government policies which created a more supportive environment for entrepreneurship. Additional emphasis is placed on the shifting attitudes towards entrepreneurship and who pursued it through the end of the 1990s. This paper suggests that the gradual individualization of Chinese society, which had traditionally been more collectivized, provided additional support for many entrepreneurs. However, it also shows that, until the start of the 21st century, well-educated people leaned away from entrepreneurship, largely because entrepreneurs were not a desirable group.

In the latter two chapters, it examines how certain private Chinese companies, and the entrepreneurs who founded them, created a prototype on which other entrepreneurs base their identities. These prominent companies and their success made entrepreneurship much more desirable, and their leaders became model entrepreneurs which other Chinese people sought to emulate. Furthermore, several first-hand interviews reveal that present-day Chinese entrepreneurs share five common traits that help explain their motivations and ambitions for starting companies. These traits are examined in relation to the current success of entrepreneurs, and produce generalizable trends in Chinese entrepreneurship. Overall, this paper concludes that, as the environment for entrepreneurship improved, the individualism and self-identity of entrepreneurs strengthened, and innovative entrepreneurs found success, the modern entrepreneur has become a desirable model for success and a crucial piece of China's future development.

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Table of Contents

Introduction.....	1
Chapter 1: Historical Changes in the Environment for Chinese Entrepreneurs.....	12
Chapter 2: How the Individualization of Chinese Society Boosted Entrepreneurship.....	33
Chapter 3: The BAT Leaders as China’s Prototypical Entrepreneurs.....	53
Chapter 4: Who are China’s Modern Entrepreneurs?.....	69
Conclusion.....	93
Works Cited.....	98
References.....	102

Introduction

Modern Chinese entrepreneurs have been a driving force behind China's massive economic growth in recent decades. During this time, the self-identity and individualism of Chinese entrepreneurs have greatly strengthened. Until the late 1970s, Communist ideology and economic policy opposed entrepreneurship and most private enterprises; it was very risky to become an entrepreneur. Government policies enacted in the 1970s and 1980s began supporting entrepreneurship yet entrepreneurs were not a desirable group. By the 1990s, the perception of entrepreneurs improved gradually as more entrepreneurs embraced their ambitions and struck out on their own. By 2000, China's government officially recognized entrepreneurship as a crucial piece of economic development. In the 21st century, the rise of entrepreneurship complemented further societal changes and the individualization of Chinese society, reflected by the freedom to pursue one's ambitions.

Nowadays, entrepreneurs are among China's most admired public figures and motivate countless more people to pursue entrepreneurship. The success of certain domestic firms in the past 10-15 years also strengthened the self-identity of entrepreneurs. This paper researches the self-identity and individualism of Chinese entrepreneurs to show why they are starting companies. A central argument is that the increase in entrepreneurship reflects the newfound strength of entrepreneurs' individualism and self-identity.

There are many reasons why such a study is timely and important. China is playing an increasingly important role on the world stage, and entrepreneurs have been essential to the country's transformation. They are crucial to China's continued economic development, while their ambitions and dreams show where China could be headed. Additionally, the

development of entrepreneurship offers a window into large-scale changes in Chinese society, family relations, and the growth of private businesses. These changes are notable since Chinese society was little accepting of entrepreneurship until recent decades. In the 21st century, modern entrepreneurs have played an essential role in China's economic transformation.

However, the attributes and motivations of modern Chinese entrepreneurs have not been the subject of much research. Scholars have long recognized the importance of entrepreneurship for economic development. Many studies have been done on innovation and entrepreneurship in the United States and, similarly, the rise of entrepreneurship in China has been the subject of much research. (Ralston et al., 1999; Liao and Sohmen, 2001; Hsu, 2006; Djankov et al., 2006). However, research on the motivations and attributes of present-day Chinese entrepreneurs is quite scarce. Existing studies of Chinese entrepreneurs are often anecdotal, do not examine their motivations, or are overly generalized (Yongming, 2000; Dickson, 2007; Hanlong, 2000). Though the attributes of entrepreneurs are noted in pre-2000s studies, they are mostly featured without considering environment, political or economic changes (Tan, 2001; Steensma, 2000). This lack of attention to social factors, as well as attributes and motivations of entrepreneurs, has been corrected by late 1990s and early 2000s studies that establish the changing popular attitudes towards and perceptions of entrepreneurs (Ralston et al., 1999; Liao and Sommen, 2001; Hsu, 2006; Djankov, 2006; Yueh, 2011; Davies, 2010). Despite the growing scholarship on entrepreneurship, neither Chinese entrepreneurs in the past decade nor their motivations for starting companies have been sufficiently explored. In the past ten years, large-scale changes in Chinese society have made entrepreneurship more

acceptable; existing research has yet to catch up and fill this gap. My research provides insights on the changing individualism in Chinese society and the increased acceptance of entrepreneurship as a desirable path. With a keen focus on their motivations and ambitions, I am studying why modern Chinese entrepreneurs are starting companies.

This paper's major issues and questions involve who becomes an entrepreneur, why they choose that path, and how their experiences affect others. The changing perceptions of Chinese entrepreneurs are crucial for understanding their motivations. Another key issue is what differences exist between those who choose 1) to work for the government or a state-owned enterprise (SOE), 2) to join a private firm, or 3) to become an entrepreneur. Through my in-person interviews, I explore each interviewee's experience with entrepreneurship and their attitudes towards it.

In this paper, I also compare the similarities and differences of Chinese and American entrepreneurs. In the West, entrepreneurs are seen as risk-taking, ambitious, self-motivated individuals (think Steve Jobs or Elon Musk). However, China's history and culture suggest that Chinese entrepreneurs could follow a different model. The ideal Chinese entrepreneur could be more collectivist, as Chinese society was until recently, or perhaps less ambitious and innovative, as many present-day Chinese firms are accused of being (see: Huawei, ZTE, etc.). The comparison of the attributes of Chinese and Western entrepreneurs creates a clearer definition of the prototypical Chinese entrepreneur.

These issues come together to form the central question of my thesis: How did the Chinese government's economic reforms, society's growing acceptance of entrepreneurs, and success of domestic Chinese companies strengthen the individualism and self-identity

of modern Chinese entrepreneurs? Ultimately, my thesis seeks to understand the motivations that propel present-day Chinese entrepreneurs to start their own companies.

To situate the study in a proper historical context, I start with a survey of previous perceptions of entrepreneurship in the Republican era (1911-1949) and Maoist era (1949-1978). More emphasis is placed on the post-Mao reform era, which is further defined in three parts: the reforms from 1978-1982 targeting rural areas; 1984-1989's growth of private sectors in urban areas; and the period of 1992-2002 with its surge of economic changes after Deng Xiaoping's historic 1992 visit to southern China. This historical examination concludes, in much greater detail, with modern China in the 21st century when legalization of entrepreneurship by the state led to tremendous development of entrepreneurship.

In approaching these periods, I examine certain aspects of Chinese society which are key for understanding entrepreneurs. Some of these aspects include the strength of family and social bonds; attitudes towards risk-taking; and traditions of filial piety.¹ Chinese society also exhibits high power distance relations, meaning there are strong deferential attitudes among members of society based on hierarchy (Wang, 2009). These are useful factors for understanding the dynamics of Chinese entrepreneurship.

Most importantly, I focus on the shift in Chinese society towards individualism and away from collectivism. Through the end of the 20th century. Chinese society was traditionally more collectivist, with individual desires oftentimes sacrificed and the needs

¹ Rajiv Shah, *Innovation, Entrepreneurship, and the Economy in the US, China, and India: Historical Perspectives and Future Trends* (London, UK: Academic Press/Elsevier, 2015), 202-3.

of the group prioritized over those of the individual.² There is even a common Chinese saying that, “the nail that stands out gets hammered down the hardest.” This saying implies that standing out as an individual can be viewed as overly risky. Additional research has confirmed that Chinese society shows many collectivist trends (Fei 1948; Walker 1986; Stockman 2000). The crucial aspects of Chinese society discussed above show the weaknesses of individualism and entrepreneurship in pre-modern China.

I examine the individualism and self-identity of entrepreneurs in modern China, as well as the structural and societal factors that encourage further entrepreneurship. However, I focus on how and why individuals choose entrepreneurship, not on institutional-level changes such as the Party’s recruitment of entrepreneurs, relations with international companies, or effects of entrepreneurship on political reform. Neither do I explore the mechanisms behind how entrepreneurs reach success and become rich. The scope of my study is the environmental and societal factors that led to increased entrepreneurship and the motivations for why modern entrepreneurs start companies.

My research involved conducting first-hand interviews and examining existing research studies. With funding support from the Confucius Institute, I made a ten-day trip to China in October 2016 and travelled to Shanghai, Nanjing and Beijing where I gathered important materials. I conducted interviews with several entrepreneurs and gained valuable insight into their personal experience. During my stay in Nanjing, I attended the taping of popular Chinese TV dating show *Fei Cheng Wu Rao* (English name: If You Are the One), where I was able to gauge popular standards for defining success as reflected in people’s preference for

² Ibid., 57.

partners. In Shanghai, I attended an Entrepreneurship Summit hosted by Shanghai Advanced Institute of Finance and Babson College, at the invitation of my good friend and former professor, Steve Chao. Studying existing scholarship and interacting directly with Chinese entrepreneurs helped me understand the fascinating work of present-day entrepreneurs and create a clearer picture of the current entrepreneurship landscape. My interviews and research, both in China and remotely from Atlanta, enabled me to formulate my argument.

Certain key and important terms for my study are defined as follows.

Entrepreneur:

Entrepreneurs are people who start their own business with the motivation to pursue their personal ambitions and create something unique. They are motivated by a desire to achieve their dreams of individual success. They are more comfortable than non-entrepreneurs with taking risks, accepting outside criticism, and more comfortable going against societal norms.

Chinese entrepreneurship itself is an evolving concept. In each era of Chinese history, entrepreneurs have differences in motivations, risk-taking, ambition, innovation, backgrounds and other factors. To better delineate Chinese entrepreneurs' distinctive features in different historical eras, I separate the entrepreneurs into pre-1990s entrepreneurs (or early reform era entrepreneurs), the 1990s entrepreneurs, the early 2000s entrepreneurs, and finally present-day (or modern) entrepreneurs from the mid-2000s to the present.

Entrepreneurial Spirit:

The entrepreneurial spirit shows itself in entrepreneurs' desire to innovate and a view of failure as a way to success, not as an impediment to their dreams. By having a strong entrepreneurial spirit, one can focus less on what others think and become more self-confident. Typically, such a person believes personal effort, rather than outside circumstances, will lead them to success.

Individualism:

Individualism emphasizes the freedom to pursue one's personal ambitions and open expression. Individualist people prioritize their personal goals, ideas, beliefs and ambitions over those of the group. They are commonly more risk-taking and comfortable opposing societal norms and authority figures.

Self-Identity:

My understanding of self-identity is aided by two leading theories, identity theory and social identity theory, and I rely more on the latter. The concept of social identity theory was first developed by Henri Tajfel and was fully formulate by John C. Turner and others in the 1970s.³ Social identity theory seeks to understand a person's identity through the categories or social groups of varying importance they belong to, rather than roles they play. An individual's identities are ranked in order of salience and the more salient identities are used in more situations. Then, self-categorization is used to generate group stereotypes and norms that create intergroup boundaries and a sense of pride in one's identity.

³ For additional research on identity in Modern China, see: *Biculturalism in Modern China and in Chinese Studies* by Philip Huang and *Measuring Individual Identity* by Alexander Kuo and Yotam Margalit.

The social groups an individual belongs to are defined in terms of norms, prototypes and stereotypes that can change over time. This flexibility makes social identity responsive to immediate context, where frames of reference influence one's behavior and produce stronger self-categorizations. Social identity theory is also dynamic, since it responds to differing societal norms and changes in intra-group relations. Additionally, one forms a stronger identity as the outside environment becomes more receptive to one's ideas and endeavors. These changes correspond to the greater acceptance and stronger identities of Chinese entrepreneurs that have developed over the past decades.⁴

The social identity theory mapped above applies quite well to entrepreneurs in China. My study reveals that the formation of an entrepreneur's self-identity relied not on whether he or she could succeed as an individual, but more on the social context within which entrepreneurship would take place and how society or one's family reacted to entrepreneurial moves. As entrepreneurship gained acceptance in China since the mid-1990s, the successful entrepreneur has become a prototype upon which other entrepreneurs based their identities, leading to increased numbers of entrepreneurs.

My discussion is arranged in chronological order. Chapters One and Two focus on policy changes and rising individualism, while Chapters Three and Four focus on specific entrepreneurs.

The first chapter establishes the government's embrace of entrepreneurship by looking at historical trends in attitudes towards Chinese entrepreneurs and their ability to

⁴ Michael A. Hogg, Deborah J. Terry, and Katherine M. White, "A Tale of Two Theories: A Critical Comparison of Identity Theory with Social Identity Theory," *Social Psychology Quarterly* 58, no. 4 (December 1995): 259-62.

innovate. In this way, I show how policy and societal changes created a stronger environment for entrepreneurs to strike out on their own. This chapter details how policies of the Chinese Communist Party (CCP) restricted entrepreneurship and individual enterprise in the Maoist era (1949-1978). During this time, Chairman Mao Zedong created a command economy where the State provided all benefits and limited individualism. By 1978, China entered the era of reform and opening, in which the CCP began to encourage entrepreneurship. As a result, views of entrepreneurs began to improve, relative to the Maoist era, as China's economy grew. Focusing on the reform era (1978-2002), this chapter examines how entrepreneurship became a new means of success, yet remained inaccessible or undesirable to most people. By analyzing the defining characteristics and traits of these reform era entrepreneurs, I establish how entrepreneurship remained a relatively undesirable profession despite early changes in perceptions of entrepreneurs and the environment for their success.

The second chapter focuses on the 21st century and explores how a more conducive environment made entrepreneurship more desirable. My findings support existing research (Yueh 2011; Ralston 1999; Djankov 2006) that has defined the attributes and backgrounds of late 1990s and early 2000s entrepreneurs. Using my interviews and outside research, I establish that Chinese society gradually became more individualist in the late 1990s and early 2000s, which further boosted entrepreneurship. Building on my interviews with Arthur Chen and Julyn Zhang, two young Chinese entrepreneurs, this chapter looks at graduates from the prestigious Peking University (*Beida*, 北大)) and their post-graduation choice between applying for a job with the government or an SOE, working for the private sector or starting their own companies. By analyzing these young college

graduates' decisions, I find that most well-educated graduates still leaned away from entrepreneurship in the early 2000s. Though the social climate and economic conditions in the 2000s supported the dreams of entrepreneurs, they were still not a desirable group. I reason that fewer well-educated people pursued entrepreneurship because entrepreneurs lacked a strong self-identity, which I explore further in the next chapter.

The third chapter blends English and Chinese sources to show how China's most prominent private companies represent the model prototype for entrepreneurial self-identity. These companies are known as BAT, an acronym for their names (Baidu, Alibaba, Tencent). Using the BAT's success and the factors behind their rise, I demonstrate how these companies and their leaders represent the ideal modern Chinese entrepreneur. The success of BAT and their leaders is promoted through mass literature, encouraging the popular perception that such success is achievable by others. Chinese media upholds this idea, making BAT's leaders into modern-day celebrities with great influence. Through examining Chinese writings by Alibaba founder and CEO, Jack Ma, and evaluating BAT's impact using the social identity theory, I explain how BAT's success strengthens the self-identity of modern entrepreneurs and draws more people towards entrepreneurship. This chapter concludes by reviewing how BAT and their leaders provide a prototype for all Chinese entrepreneurs, in turn strengthening these entrepreneurs' self-identities and motivations.

The fourth chapter, based mostly on my interviews, focuses on China's present-day entrepreneurs. I isolate five traits that best distinguish this new group of entrepreneurs: ambitious passion; creative innovations; doing what you love; having the support of BAT; and going against your parents' wishes. Using my interviews with Arthur Chen, Julyn

Zhang, Ning Liu, Stanley Zhao and Zhang Rui, I create a profile of common traits and motivations of the modern Chinese entrepreneur. By studying China's newest and most active startups, bike-sharing companies, I reveal the dynamics and ambitions of modern Chinese entrepreneurship. The chapter concludes by discussing how going against one's parents' wishes lies at the heart of modern Chinese entrepreneurship. The individualism of modern entrepreneurs has strengthened and is expressed by starting one's own company.

My thesis examines the motivations behind why modern Chinese entrepreneurs start their own companies. With my deep passion for China and study of all things Chinese for over a decade, I wanted to study Chinese entrepreneurs so that I could understand their motivations for starting companies and how they envision success. By tracing the history of entrepreneurship in China, the changing societal acceptance of it, success of prominent domestic companies, and present-day examples of entrepreneurial success, I will establish how and why Chinese entrepreneurs are drawn towards this desirable path for achieving success.

Chapter 1: Historical Changes in the Environment for Chinese Entrepreneurs

Individual entrepreneurship has undergone substantial changes in recent decades of Chinese history. This chapter develops a timeline of changes in entrepreneurship and perceptions towards it in Chinese society. Private businesses were prominent drivers of economic growth before the Communist era began in 1949, though they conflicted with the Confucian tenets of traditional Chinese culture. However, the 1949 Communist Revolution began an era of centralized state planning, during which private entrepreneurs were suppressed by government policies starting in the 1950s. This chapter mainly focuses on China's reform era (1978-2002), when attitudes towards entrepreneurs shifted. Entrepreneurship then was encouraged by the CCP and became more widely accepted, strengthening the individualism of those who pursued it. However, until the mid 1990s, starting one's own business still carried many negative social connotations.¹ The final section of this chapter examines how perceptions of entrepreneurs changed during the reform era and draws comparisons among this first group of post-Mao entrepreneurs.

Through analyzing changing perceptions of entrepreneurs, I establish who became an entrepreneur in the reform era and what motivated them. While choosing entrepreneurship depends on a number of individual characteristics of those involved, it also relies upon many outside factors, specifically, the environment in which entrepreneurs operate.² This chapter examines how the Chinese government created the environment for

¹ Debbie Liao and Philip Sohmen, "The Development of Modern Entrepreneurship in China," *Stanford Journal of East Asian Affairs* 1, no. 1 (2001): 28.

² Rajiv Shah, *Innovation, Entrepreneurship, and the Economy in the US, China, and India*, 189.

entrepreneurship through reform policies and how early entrepreneurs differed in their ambitions, motivations and backgrounds.

Chinese Entrepreneurs before the Maoist Era

Entrepreneurship existed on smaller scales in dynastic China (until 1911) but conflicted with the basic tenets of Confucianism. Considerable research has covered these periods of Chinese history, including the characteristics of early entrepreneurs. Much research has detailed private business and entrepreneurs in the dynastic and Republican eras, including by Madeline Zelin in *Merchants of Zigong*, Joseph Fewsmith in *In Search of the Shanghai Connection*, and Sherman Cochran in *The Lius of Shanghai and Inventing Nanjing Road*.

Traditional Chinese society was strongly influenced by Confucianism, including its negative attitudes on profit-seeking business; nevertheless, commerce and business flourished towards the end of the dynastic era. Traditionally, the objective of business profit-making sat uneasily with the Confucian concept of ethical behavior, embodied by the pursuit of *li* (ritual, propriety, etiquette) and *ren* (virtue, righteousness). In general, Confucian doctrine supports traditional, older generations by emphasizing hierarchy in all social relationships as the bedrock of social order and stability.³ A person could only become virtuous by acting correctly in all social relationships. Confucianism also stressed the difference between the gentleman, who was virtuous and righteous, and the petty man. In the Confucian Analects, many statements associate the petty man with profit-seeking, such as “the gentleman understands rightness, whereas the petty person

³ Norman Stockman, *Understanding Chinese Society* (Malden, MA: Blackwell Publishers, 2000), 90–92.

understands profit.”⁴ Nevertheless, Confucianism did not denigrate business activities per se; it more emphasized that one should strive to attain human virtues through the pursuit of *li* and *ren*, while comporting oneself as a gentleman.⁵ Despite the importance of commerce and trade, entrepreneurship in imperial China was hindered by many other factors, including the old examination system that emphasized scholarship and a lack of institutional protection for property rights.⁶ Research by Tamney and Chiang (2002) shows that Confucianism did not encourage entrepreneurship and innovation in China due, at least in part, to factors like the emphasis on tradition and reliance on moral cultivation of scholar-bureaucrats instead of merchant profit-making.⁷ Traditional Confucian values, and thus Chinese society, were often at odds with economic realities of the time, namely that trade and commerce were necessary for the economic strength of China.

By the late Qing dynasty, the diverse merchant class (*shangren*, 商人) was rising in power and, along with the increase of trade in China’s ports, led to the creation of a new class called the compradors. These were Chinese managers in foreign firms who were contracted to handle the Chinese side of a firm’s business and served as middlemen for dealing with local Chinese merchants. In their business dealings, compradors acted like modern entrepreneurs in creativity and risk-taking, but lacked the same innovations. During this period, Chinese intellectuals were keenly focused on how to make China stronger and eliminate Western influence. In the eyes of many, commerce and industry

⁴ Philip Ivanhoe and Bryan Van Norden, eds., *Readings in Classical Chinese Philosophy*, 2nd ed. (Indianapolis, Indiana: Hackett Publishing Company, 2001), 12.

⁵ Gary Kok Yew Chan, “The Relevance and Value of Confucianism in Contemporary Business Ethics,” *Journal of Business Ethics* 77 (2008): 349.

⁶ Douglas Cumming et al., *Developments in Chinese Entrepreneurship: Key Issues and Challenges*, First edition (New York, NY: Palgrave Macmillan, 2015), 6.

⁷ Chan, “The Relevance and Value of Confucianism in Contemporary Business Ethics,” 348.

were crucial to creating a stronger nation.⁸ By this time, the *shang* merchant class had grown to include entrepreneurs and people engaged in commercial, financial or industrial pursuits. As the merchant's role became broader and more important, many argued for higher social status.

In the words of Cheng Kuan-ying, a prominent merchant in late 1890s China, "the merchant, in his pursuit of profit which was justifiable and remarkable, should have a sense of pride instead of shame."⁹ In effect, Cheng argued that merchants should be proud of their essential role in modern Chinese society, not just ashamed to be employed in a profession denigrated by traditional Confucianism. He wanted Chinese society to recognize the stronger identity held by modern merchants. During the dynastic era, Chinese society was, on one hand, dominated by Confucian ideology yet, on the other, was embracing commerce as a means of strengthening the country.¹⁰ This inner tension left space for entrepreneurship, which would succeed even after the fall of the Qing dynasty in 1911.

During the Republican period (1911-1949) that followed, individual enterprise increased while the State encouraged it. This era was marked by an increase in entrepreneurial activity, predominantly through small- and medium-sized enterprises (SMEs). In fact, Bergere (1989) theorized that "the Chinese entrepreneurial class was a product of development of capitalism in China since the late 19th century. [Entrepreneurs] experienced a rapid expansion in the so-called golden age of Chinese bourgeoisie from

⁸ Yen-P'ing Hao, "Cheng Kuan-Ying: The Comprador as Reformer," *The Journal of Asian Studies* 29, no. 1 (November 1969): 15-20.

⁹ *Ibid.*, 21.

¹⁰ For additional research, see: *The Merchants of Zigong* by Madeline Zelin and *Global Trade in the Nineteenth Century: The House of Houqua and the Canton System* by John D. Wong.

1911-1937.”¹¹ However prosperous this period was, though, its economic advances would be almost entirely undone by the rise of the Communists.

Suppression of Entrepreneurs during the Maoist Era

Chairman Mao Zedong and the CCP swept to power in the 1949 Communist Revolution. The rise of the Communists brought massive changes to China’s economy and especially to private businesses. Studies on the Maoist era have identified the restrictions on private enterprise that stifled entrepreneurship (Yan 2003; Ho 2000; Solinger 1979; Loh 1962). In general, Communist ideology emphasizes the collectivization of society’s resources, encouragement of class struggle, and creation of a centrally planned economy. The CCP sought to remake China’s economy along the Socialist, collectivized model while rooting out anti-Communist bases of power that they felt threatened their autonomy. The Party’s early policies largely targeted private businesses and entrepreneurs.

The elimination of entrepreneurs was a gradual process. Realizing that they needed private enterprises to aid economic development after the Revolution, the Party tried to reassure Chinese entrepreneurs that they were part of China’s new system. Private business owners were treated with respect and even given positions in the government. In June 1952, Party vice chairman Chen Yun even gave a speech before the All-China Federation of Industry Commerce, a state-run apparatus, where he announced that ‘law-abiding’ entrepreneurs had little to fear. The CCP’s acceptance of entrepreneurs was soon

¹¹ Zhou Yongming, “Social Capital and Power: Entrepreneurial Elite and the State in Contemporary China,” in *Social Capital as a Policy Resource* (Springer, 2001), 98.

revealed as disingenuous.¹² In 1952, the CCP launched the Five Antis campaign against alleged economic crimes by the capitalist class and, in 1953, announced a new plan for the socialization of industry and commerce through collectivization.

By 1956-7, most private enterprises had been eliminated, and the State had taken over all significant economic activity; this system that lasted for the rest of the Maoist era. All prices and wages were arbitrarily set by the state; workers were hired by state labor bureaus and assigned to factories. Additional research on the early Communist period can be found in Toby Ho's *Managing Risk: The Suppression of Private Entrepreneurs in China in the 1950s* and Dorothy Solinger's *State versus Merchant: Commerce in the Countryside in the Early People's Republic of China*. In the 1950s, China's economy was marked by collectivized agriculture, nationalized industry, and the continued targeting/closing of most small businesses and entrepreneurial activities. When Mao launched the Great Leap Forward in 1958, all residual property rights were taken away.¹³ As part of Party reforms and ideological programs, business and property owners were rooted out, and punished or imprisoned; the SMEs that flourished just decades before now virtually ceased to exist.¹⁴

The Cultural Revolution (1966-1976) further targeted individualism and promoted collectivization with a fanatic adherence to Mao Zedong's ideological rhetoric. The Cultural Revolution, in Mao's view, was fundamentally a revolution in consciousness and ideology that would facilitate a transformation of the social and economic bases of Chinese society. This period and the chaos it brought further diminished individualism and the

¹² Regina M. Abrami, *Can China Lead?: Reaching the Limits of Power and Growth* (Boston, Massachusetts: Harvard Business Review Press, 2014), 31.

¹³ *Ibid.*, 33.

¹⁴ Cumming et al., *Developments in Chinese Entrepreneurship*, 7.

entrepreneurial spirit. The Cultural Revolution was marked by unprecedented social control, persecution, intensive poverty, and the disruption of the economy.¹⁵ While the State determined economic inputs and outputs, penalties for profiteering, which stifled entrepreneurship, remained in place. Mao's programs did succeed in limiting private laborers, whose numbers fell from 8.9 million in 1957 to 150,000 in 1978.¹⁶ Despite official efforts, however, entrepreneurship was never entirely suppressed. During this time, there were still some examples of small-scale private business, mostly in secret or on the black market, although such activities were still condemned by the CCP.

With its restrictions on individual entrepreneurship, a few conditions of Mao's China are worth emphasizing. The first is the distinction among social classes. Though Marxism calls for the creation of a classless society, in the Maoist era (1949-1978), most research shows there were four social groups whose boundaries were rigidly and starkly drawn: the agricultural population, urban residents, workers and cadres.¹⁷ There was no distinct urban professional, entrepreneur or highly educated class. Secondly, the State provided stable employment through a person's collective work unit (*danwei*, 单位), which had two important effects. Stable, state-provided employment discouraged people from starting private businesses. These so-called Iron Rice Bowl (*tie fan wan*, 铁饭碗) jobs remained in place for decades, restricting the ability to operate outside the system yet providing stability. Also, the *danwei* system ascribed an identity and kinship to the unit one worked for. In this way, "entrepreneurship was suppressed both legally and by the de facto

¹⁵ Ping He, *China's Search for Modernity: Cultural Discourse in the Late 20th Century* (New York: Palgrave Macmillan in association with St. Antony's College, Oxford, 2002), 17–20.

¹⁶ Yongming, "Social Capital and Power," 98.

¹⁷ *Ibid.*

restrictions of the *danwei* system.”¹⁸ Yan Yunxiang’s book *Private Life Under Socialism* is one of the best authorities on these conditions in Maoist China, when near-constant change was a way of life for most individuals. When Mao Zedong died in 1976, China faced an uncertain future. Mao’s latter programs, especially the Cultural Revolution, had caused widespread hardships for a vast portion of the Chinese population and left many calling for widespread reforms.

China’s Reform Era and the Greater Embrace of Entrepreneurship

After the Maoist era ended, China entered a reform era where three successive waves of reforms swept across the country. Following the economic hardships of the Maoist era, the reform years (1978-2002) laid the foundation for China’s impending economic rise. Much research has analyzed the period of economic reforms in China begun in the late 1970s. In particular, Lin and Myers’ *Forces for Change in Contemporary China* (1993), is an excellent look at the reform era and how it spurred economic, social, political and intellectual changes. Through the turn of the century, most scholarship on urban China focused on four regions: Beijing, Hong Kong, Chengdu and Shanghai. This bias skewed our understanding of China’s context by focusing on its most economically wealthy and globally connected urban areas.¹⁹ Douglas Cumming’s “Developments in Chinese Entrepreneurship” establishes that entrepreneurship, especially in post-1980s China, has not been the focus of much research. As he points out, a major research gap exists for China’s reform era.

¹⁸ Cumming et al., *Developments in Chinese Entrepreneurship*, 7.

¹⁹ Carolyn Hsu, “Cadres, Getihu, and Good Businesspeople: Making Sense of Entrepreneurs in Early Post-Socialist China,” *Urban Anthropology and Studies of Cultural Systems and World Economic Development*, 2006, 3.

In the reform era, the economy was decollectivized, China was opened to foreign investment, state-owned industries were privatized and entrepreneurs were encouraged to start companies. During the Maoist years and the reform era that followed, “China’s economy and society changed markedly, and the country started recovering the entrepreneurial spirit of pre-Communist times only in recent decades”²⁰ Regarding China’s post-Mao economic progress, much credit is due to Deng Xiaoping, the Chinese leader who navigated between conservative and reform factions to guide the country into a new era. The reform years profoundly changed China’s economy and created the environment for entrepreneurial experimentation.²¹

The first wave of reforms (1978-82) began an era of widespread changes in China. After Mao Zedong’s death in 1976, his policies initially remained mostly intact. China’s reform era began only with the introduction of economic reforms in 1978. At the time, “unable to generate intensive development itself and to establish a self-sustained high rate of economic growth, the possibility of China catching up with the advanced industrialized nations was small.”²² To reach this goal, China’s leaders, led by Deng Xiaoping, focused their first economic reforms on peasant workers. Deng Xiaoping’s Four Modernizations policy, enacted in 1978, marked the start of China’s modern entrepreneurial era and were an early attempt to strengthen China’s agriculture, industry, national defense, and science and technology. The Four Modernizations policy was designed to guide China’s transformation into a modern economic power. Despite the strength of government-owned businesses,

²⁰ Abrami, *Can China Lead?*, 24.

²¹ The enduring paradox of the reform era is that opening the country for economic liberalization meant the Communist Party now had to defend and encourage profit-seeking.

²² He, *China’s Search for Modernity*, 19.

private businesses would have a role to play. As shown, “before 1978, there was little illusion of shared interests between the Party and private business.”²³ However, with these new reforms, the private sector began to re-emerge.

The first small-scale economic experimentation came from town and village enterprises (TVEs) which first developed near the end of the Maoist era. Though official restrictions on private ownership remained in place, local governments encouraged TVEs in the early reform period. TVEs absorbed rural labor surplus and increased rural economic incomes and activity. Their growth successfully pushed China’s economy towards a market economy. Economic reform was effective; peasant incomes doubled between 1979 and 1984, generating a huge wave of mass consumption.²⁴ Other reform policies included, in 1981, the government encouraging self-employment in the cities, which allowed the unemployed and lower societal groups to sustain themselves with private commerce.²⁵ Before 1989, while private business was encouraged, the foremost targets of economic activity remained capital good industries (steel, machinery, petrol...) and national defense.²⁶ Though entrepreneurship was nowhere near a key focus of the State, these early reforms set the stage for larger-scale economic changes.

The second wave of economic reforms, focused on urban areas, began in 1984 and lasted until 1989. By now, previously impoverished groups had growing incomes and enjoyed increased economic freedom. The higher purchasing power of these groups,

²³ Abrami, *Can China Lead?*, 29.

²⁴ Yunxiang Yan, *The Individualization of Chinese Society*, English edition, London School of Economics Monographs on Social Anthropology ; v. 77 (Oxford ; New York: Berg, 2009), 212.

²⁵ Lijia Zhang’s *Socialism is Great!* recounts the transformations in rural Chinese during these early reform years and the conflicts between older and new generation, such as between Lijia and her mother.

²⁶ Bih-jaw Lin and James T. Myers, *Forces for Change in Contemporary China* (Columbia, S.C.: University of South Carolina Press, 1993), 274–75.

mostly peasants, broke the psychological balance of urban residents, whose discontent pushed the CCP to launch urban economic reforms in the mid-1980s. These reform programs specifically aimed to revive individual business and private enterprises in China's cities. As one sign of these programs' success, the average income of urban residents almost doubled between 1985 and 1989.²⁷ To meet a rising demand for consumer goods, the private sector now needed to grow quickly, while more areas opened to foreign investment and rural industry made major progress.

In 1987, to aid the private sector, the government added a paragraph to the state Constitution giving legal status to privately owned firms that employed eight or more workers. For the first time since 1949, entrepreneurs could legally own companies.²⁸ With this opening to private entrepreneurship, individual initiatives and ambitions of entrepreneurs, stifled during Mao's era, were finally supported.²⁹ Entrepreneurship grew common with the start of market-oriented economic reforms. As discussed in the previous section, the TVEs were a key factor. Armed with the flexibility to switch production to meet local demands, TVEs encouraged the development of a dynamic entrepreneurial sector during the 1980s.³⁰ By 1990, those engaged in "individual commerce and industry" numbered 19.3 million.³¹ However, considerable restrictions still existed. At the individual level, entrepreneurs faced what were known as the 'three forms of arbitrariness' (san luan) from local authorities. These were the arbitrary collection of fees, penalty payments and apportionments. Because of these capricious tactics, many entrepreneurs suffered heavy

²⁷ Yan, *The Individualization of Chinese Society*, 212.

²⁸ Abrami, *Can China Lead?*, 39.

²⁹ Lin and Myers, *Forces for Change in Contemporary China*, 267.

³⁰ Cumming et al., *Developments in Chinese Entrepreneurship*, 8.

³¹ Lin and Myers, *Forces for Change in Contemporary China*, 136.

losses and abandoned their businesses. This situation was so serious that, by October 1990, the government issued a directive to stop such practices.³²

The second wave of reforms ended with the Tiananmen Square protests in June 1989. Following the crackdown on demonstrations in Tiananmen Square, Chinese business leaders were criticized for their alleged role in supporting the protests. Though some had provided support to the demonstrators, most were at best ambivalent about the protests, and many opposed them.³³ Regardless, the CCP took a conservative turn after Tiananmen, banning the recruitment of entrepreneurs into the Party.³⁴ Also, in an effort to dial back reform movements, many reform programs were either delayed or scheduled for removal. These changes occurred in a climate of uncertainty about what China's future would be without further reforms. Particularly given the collapse of the USSR and of Communism in Eastern Europe, few believed that China could continue modernizing without embracing capitalism and encouraging private business.³⁵ The next path China's leaders chose would guide the future of entrepreneurship and innovation.

By the 1990s, the leaders of the PRC stood at a crossroad. They had seen, in the past decade, how trade, investment and openness to the outside world benefited China. They also recognized the increased pressure to liberalize the economy further and encourage private business.³⁶ It was then that, in 1992, frustrated by the slow pace of economic

³² Ibid., 139.

³³ Bruce J. Dickson, "Integrating Wealth and Power in China: The Communist Party's Embrace of the Private Sector," *The China Quarterly* 192 (December 2007): 832, http://www.journals.cambridge.org/abstract_S0305741007002056.

³⁴ In practice, this decision was difficult to enforce. Many entrepreneurs were recruited into the Party anyway, creating a prominent source of intra-Party debate.

³⁵ Lin and Myers, *Forces for Change in Contemporary China*, 3.

³⁶ Ibid., 307.

reforms after Tiananmen, Deng Xiaoping embarked on what is known as the Southern Tour, which was a tour of Southern China's Special Economic Zones and other prosperous cities. During the Tour, Deng praised these areas and their willingness to initiate reform policies. Despite the conservative climate in Beijing, Deng extolled the virtues of economic reform and reassured common Chinese people that economic reform was the best path forward. Ever the charismatic leader, Deng urged the CCP and its people to carry out economic openness and "jump into the sea" (*xiahai*, 下海) of capitalism. Extolling that "to get rich is glorious," Deng called on young Chinese people to seek to become the "glorious new rich." His bold move shifted the focus of China's economy towards the entrepreneurial individual and away from mass central planning. Deng's Southern Tour was the tipping point towards strengthening entrepreneurship and individualism in Chinese society.

The response to Deng's call was swift and immediate. "Once the national media began to report on Deng's comments, enthusiasm for economic reform, and for the opening of private firms in particular, exploded."³⁷ Within months, thousands of government officials, professionals, intellectuals and students left their secure positions to jump into the private sector. "It seemed that the entire Chinese population was being lured into private business, and for most people moneymaking had become the highest ideal."³⁸ In fact, a leading slogan promoted by the reformers was 'able to make money and know how to spend it' (能挣会花).

³⁷ Dickson, "Integrating Wealth and Power in China," 832.

³⁸ Yan, *The Individualization of Chinese Society*, 214.

Deng's Southern Tour also motivated the government to begin reforming the SOEs, a decision which boosted individuals' pursuit of private business and entrepreneurship. SOEs were grossly inefficient and inflexible, and were weighed down by their promise of lifetime benefits (the Iron Rice Bowl) to their employees. As markets opened and competition increased, SOEs grew progressively less competitive relative to private firms.³⁹ Therefore, in the early 1990s, the government began restructuring and privatizing the SOEs, using a policy called "grasp the big, release the small" (抓大放小), which led to the firing of thousands of employees. Many economists and reformers, since before the 1989 Tiananmen Square protests, had advocated for ending state ownership by privatizing the SOEs. Deng's Southern Tour provided the impetus for these reforms, whose effects were massive.⁴⁰ By the end of 2001, 86% of SOEs had undergone some kind of reform and 70% had been privatized.⁴¹ Research also shows that self-employment became the main avenue of re-employment for ex-SOE workers.⁴² The privatization of SOEs thus opened up considerable opportunities for entrepreneurs to start their own companies.

As a result of these changes, entrepreneurs' status in Chinese society was shifting. "Whereas private entrepreneurs were blamed for much of the turmoil of the 1989 demonstrations..., by the mid 1990s they had become full-fledged partners in China's economic development."⁴³ In this period, entrepreneurship became a mainstay in China's new economy. As Lin and Myers (1993) write, "the mainstay of economic reform was the

³⁹ Dickson, "Integrating Wealth and Power in China," 836.

⁴⁰ Lin and Myers, *Forces for Change in Contemporary China*, 283.

⁴¹ Dickson, "Integrating Wealth and Power in China," 836.

⁴² Yunxiang Yan, "The Chinese Path to Individualization," *The British Journal of Sociology* 61, no. 3 (September 14, 2010): 899.

⁴³ Dickson, "Integrating Wealth and Power in China," 836.

delegation of greater authority to individual enterprises in order to transform them into independent units responsible for their own success or failure.”⁴⁴ By the mid 1990s, entrepreneurs were perceived to have a positive role in development, a change in perception which accompanied major societal changes in China.

Societal Changes Affecting Entrepreneurs

The economic opening of the early 1990s brought many societal changes. Much of traditional Chinese society had been destroyed by Mao’s Cultural Revolution and its relentless targeting of old bases of power and ideologies, neither of which Deng’s economic revolution could rebuild.⁴⁵ It was possible, therefore, for new ideologies to emerge. As Wang Guangwu writes, entrepreneurial success and the exposure to different value systems, combined with opportunities for new careers, prepared many Chinese to accept elements of an outside culture.⁴⁶ As China opened to foreign economic ideas, the country also received changing values, priorities and models for identity formation.⁴⁷

David Holt (1997) isolated the impact of foreign ideas and values on Chinese entrepreneurs in an analytical study that compares the traits of Chinese managers in Guangdong province, Chinese entrepreneurs, and US entrepreneurs. Holt found that 1990s entrepreneurs showed stronger individualism, risk acceptance, and openness to change. He suggests that 1990s “Chinese culture [was], if not antithetical to entrepreneurship, at least

⁴⁴ Lin and Myers, *Forces for Change in Contemporary China*, 269.

⁴⁵ Evan Osnos, *Age of Ambition: Chasing Fortune, Truth, and Faith in the New China*, First edition (New York: Farrar, Straus and Giroux, 2014), 278.

⁴⁶ Wang Gungwu, “Among Non-Chinese,” *Daedalus*, 1991, 150.

⁴⁷ Wenxian Zhang, Huiyao Wang, and Ilan Alon, *Entrepreneurial and business elites of China: the Chinese returnees who have shaped modern China* (Bingley: Emerald Group Publishing, 2011), xxvi.

unsupportive of it”.⁴⁸ Entrepreneurs were flourishing despite the dominant culture, while the presence of additional barriers from Chinese culture meant that entrepreneurs who emerged had the strong individual attributes which Holt identified.⁴⁹

The increase in total private enterprises was astronomical, going from nonexistent in the 1970s to more than 960,000 by the end of 1997, according to the China Yearbook of Industry and Commerce Administration. By 1998, there were an estimated two million private entrepreneurs in China.⁵⁰ As many people decided to “*xia hai*” and embraced entrepreneurship, new social groups began to emerge; these included white-collar workers and private entrepreneurs. As shown below, the term ‘private’ in the Chinese context can be misleading due to complex differences of public/private, official/non-official and inside/outside in China.⁵¹ Such changes redefined categories of entrepreneurs, their social status, and their individual attitudes and motivations for the new path of entrepreneurship. Considerable research has focused on the attributes, motivations and stories of entrepreneurs in the 1980s and 1990s. However, most existing research looks at specific groups on which my study does not focus.⁵² Below, I examine the distinctions in groups of 1990s entrepreneurs which are most relevant to my study.

Groups and Perceptions of Entrepreneurs

⁴⁸ Liao and Sohmen, “The Development of Modern Entrepreneurship in China,” 30.

⁴⁹ *Ibid.*, 29.

⁵⁰ John D. Montgomery and Alex Inkeles, *Social Capital as a Policy Resource* (Springer Science & Business Media, 2013), 99.

⁵¹ Yongming, “Social Capital and Power,” 99.

⁵² See: Zhou Yongming’s “Social Capital and Power” (2000), which examines what companies China entrepreneurs created in the 1990s, but only looks at people who left SOE jobs. Justin Tan’s “Innovation and Risk-taking in a Transitional Economy” (2001) compares attributes of 1990s entrepreneurs with SOE managers, but considers all entrepreneurs together regardless of motivations or company type.

Following the creation of market reforms, certain general groups were more likely to pursue entrepreneurship. A study by Nie and Xin (2009) in *Made in China* studied the attributes of 20 successful late 1980s and early 1990s entrepreneurs. They found that society defined entrepreneurs in four categories: grassroots entrepreneurs, experts turned entrepreneurs, government officials, and professional managers with multinational experience. These were the most common groups of entrepreneurs in 1990s China.

Grassroots entrepreneurs generally lacked financial security and social status and can be broken into three types: 1) those from poor families who wanted to improve their lives from a young age, 2) those unable to secure a good job who resorted to starting their own firm, and 3) those with a rebellious spirit who sought to break from tradition and start their own business.⁵³ Among these types, those from poor families show a stronger sense of responsibility and more self-imposed pressure. They are also the highest motivated:

“If poverty can be considered an external factor in a person’s drive to start a business, an internal factor might be the belief that [you were] born to do something great and should not waste time being tied down in one place.”⁵⁴

These grassroots entrepreneurs display strong individualism and motivation to pursue their ambitions despite the risk of failure. My interviews support the idea that these early grassroots entrepreneurs possessed a better-defined entrepreneurial self-identity.

Secondly, experts turned entrepreneurs had industry experience and had often left an SOE job. Their experiences and networks were essential for starting their own businesses. However, because this group relied greatly on connections to find success in private

⁵³ Winter Nie, *Made in China: Secrets of China’s Dynamic Entrepreneurs* (Singapore ; Hoboken, NJ: Wiley, 2009), 116.

⁵⁴ *Ibid.*

business, they display a weaker entrepreneurial spirit and self-identity than do grassroots entrepreneurs.

The other two groups are more clearly defined. Government officials generally quit their political career to start a business. They were a large group with a clear career path, yet chose to strike out on their own anyway. Professional managers were generally younger and had years of experience in a multinational firm where they learned Western business models. They were perhaps the most adept at handling the new entrepreneurial climate. Neither group, however, possessed the motivations, ambitions or individualist traits of grassroots entrepreneurs.

These findings illustrate the new ambitions and individualism of entrepreneurs in the 1980s and 1990s, when entrepreneurship became more highly developed and a more common career path. In existing literature, many point out that few established and financially secure people quit their jobs to start a new business because their opportunity cost was so high. However, those who possessed nothing would lose nothing if they failed, but could fundamentally change their situation by succeeding.⁵⁵ This belief lay at the heart of early entrepreneurial ambition for innovation, economic experimentation and striking out on your own.

As China hurtled towards the new millennium, the attributes, perceptions and self-identities of entrepreneurs began to change. Carolyn Hsu's study on Harbin (2006) provides one excellent look at the groups and status of entrepreneurs in 1990s China. She found that only a small subset of "good businesspeople" gained higher status from

⁵⁵ *Ibid.*, 111.

becoming entrepreneurs. In Hsu's research, Harbiners viewed entrepreneurs in three separate groups:

- Cadres – judged by their ability to provide benefits, not by success or profits. In charge of privatized state firms, they are de facto entrepreneurs who are likely government-connected bureaucrats.
- "getihu" – largest group. Petty capitalists, selfish and avaricious peddlers, they are not respected and of low status. Examples include selling clothes or vegetables.
- "shangren" – a smaller group. Good businesspeople, highly respected and educated, often in high-tech firms. Have a genuine morality and concern for serving society.

There is a clear distinction between entrepreneurs defined as *shangren* (商人) or as low status *getihu* (商人). The latter could be seen standing on the street with a cart of clothes, managing a small corner store, or working in a small family business with few non-family employees.⁵⁶ The distinction extends even to romance; *getihu* had low status in the marriage market. Because cadres are considered servants of the state, popular opinion judged them on their ability to provide benefits to their workers, not their talent in making money.⁵⁷

Hsu further researched the self-identity and perceptions of Harbin entrepreneurs, who had listened to decades of criticism against their profession. Her research reveals that, originally, private employment was associated with negative stereotypes for most Chinese people, who were raised to trust the State to provide all benefits. In fact, Hsu's research

⁵⁶ In Hsu's research, *getihu* were commonly referred to as lacking knowledge and culture. They had no other employment options, since they were poorly educated and no government or SOE would employ them. For further details, see Chapter 2 (page 44) discussion of *suzhi*

⁵⁷ Hsu, "Cadres, Getihu, and Good Businesspeople," 8.

says that many Harbiners had a difficult time imagining how small private business contributed anything to society. In the 1990s, for those with positions in the state hierarchy, entrepreneurship was nearly unthinkable.⁵⁸

People employed by the government or an SOE were seen as working on the “inside” rather than the “outside,” which is how most common people were perceived. Such contrasts of “inside” vs “outside” were typically based on traditional beliefs, state policies, and personal experiences.⁵⁹ Through the end of the 1990s, only the lowest level of people, often poorly educated and without stable employment, commonly chose to start their own businesses. Those on the “inside,” with many job options, less frequently jumped into private business. Supporting this distinction, in Hsu’s research, almost no Harbiners had even considered the possibility of leaving a stable government or SOE job. Nonetheless, while public perception held that government cadres drained China’s resources through corruption and incompetence, and *getihu* focused narrowly on their own gain, “good businesspeople,” or *shangren*, contributed to China’s economic progress and were an increasingly desirable group.⁶⁰

Conclusion

Chinese entrepreneurs underwent massive changes in the Maoist and reform eras, which reshaped their ambitions, self-identities and perceptions within society.

⁵⁸ Ibid., 2.

⁵⁹ Additional research has revealed that the distinction of “inside” vs “outside” existed in many cities in China, especially in the 1980s and 1990s. For additional research, see: Gold, 1990; Jankowiak, 1993; Lu and Perry, 1997; and Ikels, 1996.

⁶⁰ Hsu, “Cadres, Getihu, and Good Businesspeople,” 18–35.

Entrepreneurs were successful in the pre-Mao era, then were suppressed by restrictive policies until the 1970s. From the 1970s to 1990s, the CCP's attitude towards private business changed from restrictiveness to active promotion. The government's policies created the environment for more people to become entrepreneurs, which thousands did during the 1990s. However, despite these changes, entrepreneurs were still not viewed positively by many elements of society, in part because early entrepreneurs were often former government cadres or low status *getihu*. Although these perceptions began changing near the turn of the century, some preconceptions still lingered. The next chapter examines how rising individualism in Chinese culture encouraged entrepreneurship and increased the prestige of China's entrepreneurial sector.

Chapter 2: How the Individualization of Chinese Society Boosted Entrepreneurship

After the environment for entrepreneurship improved with support from the government's policies in the 1970s-1990s, entrepreneurship became more widely accepted in the early 21st century as Chinese society became more individualized. Characteristics of individualization include more freedom to pursue one's individual ambitions and less restrictive societal and behavioral norms, combined with increased support for creative innovation. This chapter begins by identifying the Chinese government's early 2000s policies that further promoted entrepreneurship. The chapter then identifies the shift towards individualism and away from collectivism in Chinese society, which had a very positive effect on entrepreneurship. Through detailing the attributes and backgrounds of early 2000s entrepreneurs, I examine how entrepreneurship increased and became more desirable. While entrepreneurs still lacked a strong self-identity, many studies show that entrepreneurship became more acceptable as China's median incomes rose, and as Chinese society shifted towards individualism, especially among the younger generation. Based on my interviews, I explore whether young graduates from Peking University were also drawn towards entrepreneurship. Finally, I include existing studies on the changing attributes of mid-2000's entrepreneurs and show how, despite these entrepreneurs' success, they lacked a strong entrepreneurial self-identity. Overall, this chapter explains the attributes and ambitions of early 2000's entrepreneurs, while examining the remaining limits on entrepreneurs' self-identity and ambitions.

At the start of the 21st century, the ability and prestige to start one's own business continued to strengthen. At the Fifth Plenum of the 15th Central Committee, held from

October 9-11, 2000, the CCP officially gave the private sector the same status as the public sector, announcing that “the healthy development of self-employed, privately-owned businesses will be supported, encouraged and guided.”¹ This formal endorsement of entrepreneurs was designed to seek co-operation between the state and private enterprises and to prevent entrepreneurs from becoming an organized opposition.² The date of the Fifth Plenum is significant because it marks the official recognition of China’s private sector as an equal to the public sector. In 2002, to further underscore the Party’s support of the private sector, the “Three Represents” slogan, which was the guiding socio-political theory promoted by Chinese President Jiang Zemin, was changed to include the interests of the new “advanced productive forces” of the economy. Following these policy changes, Chinese entrepreneurship continued to grow while the government still played a leading role in economic development. Though the Party promoted entrepreneurship in general, it did not provide the model for success, as “the actual method for becoming successful [was] left up to individual entrepreneurs.”³ Chinese entrepreneurs now had additional support and freedom to pursue their individual path to success.

Strengthened Individualism in Chinese Society

The increased acceptance of entrepreneurship correlates to the individualization of Chinese society. While the government created the societal and economic conditions for entrepreneurship, there was also a substantial shift in Chinese culture towards

¹ Dickson, “Integrating Wealth and Power in China,” 833.

² Ibid., 827.

³ David Davies, Louise Edwards, and Elaine Jeffreys, “China’s Celebrity Entrepreneurs: Business Models for ‘Success,’” *Celebrity in China*, 2010, 203.

individualism and away from the collectivism that had dominated China's recent history. In the 1990s, individuals gained more freedom to oppose traditional power bases, namely the Party-State and SOEs.⁴ By challenging societal norms and leaving their stable government or SOE jobs, these entrepreneurs demonstrated heightened levels of individualism.

To understand the newfound individualization of China's society, one must grasp the collectivized norms of China and the cultural factors these norms created. Significant research has identified the individualism-collectivism divide as perhaps the best means to measure values differences across cultures (Ralston, Holt, Terpstra, & Yu 1997; Triandis et al. 1986, Tung 1981, Yang & Bond 1990]. Collectively, these studies define individualism as the freedom to pursue personal ambitions and prioritize individual needs. Individualism encourages personal expression and risk-taking and allows people to focus more on themselves and their immediate family while ignoring outside forces. In this way, individuals care for and support others based on their relationships, not a defined role. Building off the individualization of Chinese society, changes in self-identity and individualism of entrepreneurs are still related to the power of the Chinese state to set regulations and restrictions arbitrarily (Hoffman 2010; Rofel 2007; Ong and Zhang 2008; Yuan 2009). Studies by Charles Taylor in *Sources of the Self* (1994) and by Yan Yunxiang (1992, 2010) have also established, respectively, how definitions of the individual relate to one's self-identity and on how individualism vs collectivism cultures relate to entrepreneurship.

⁴ My research examines the Party-State and SOEs as the primary power bases which entrepreneurs overcame. Other structural and institutional changes affected the workplace situation and peoples' ability to quit their jobs. Additionally, my paper focuses on urban residents; though not a focus of my paper, rural people did face additional obstacles.

Due to its Confucian traditions, Chinese culture tends to emphasize collectivism over individualism. Additionally, Confucianism's focus on restoring social and moral order left less room to accommodate individualism. As shown by Shah et al. (2015), the ideal entrepreneurial culture is high in individualism. Furthermore, cultural norms and societal values affect the extent to which society sees entrepreneurial endeavors as worthwhile and admirable. Certain societal changes were thus necessary to emphasize individualism. As the social theorist Steven Lukes remarked, "individualism emphasizes that individual autonomy cannot be realized unless the individual is...free to redefine himself in relation to his social context, and free to hold back the power of authority figures over him."⁵ For individualism to increase, individuals must have freedom to make their own decisions and question existing norms; most Western societies are individualist in these ways. Since individualism emphasizes individual autonomy, it increases when society enables individuals to redefine their identity. As individuals gain more freedom to self-define, they exhibit stronger individualism. These findings illustrate the case of 1990s China; when more Chinese people left their jobs to become entrepreneurs, they were demonstrating a higher level of individualism.⁶

Yan Yunxiang presents a compelling argument for the broader shift in individualism in his 2010 study, "The Chinese Path to Individualization." Yan argues that the individualization of Chinese society is a consequence of the State's quest for modernity and that, ironically, the path for modernization under Maoism resulted in a partial individualization of Chinese society. As entrepreneurs gained more autonomy and freedom,

⁵ Thomas A. Metzger, *Escape from Predicament: Neo-Confucianism and China's Evolving Political Culture* (New York: Columbia University Press, 1977), x.

⁶ He, *China's Search for Modernity*, 107.

they became more individualized. Regardless of one's new desires and ambitions, the individual was encouraged to pursue them. As a result, it was no longer shameful to seek out profits by starting a company; doing so was now admirable.

In Yan's view, the Maoist era began the individualization process and the reform era strengthened it through economic reform and modernity.⁷ Society under Mao had been based on bureaucratic rank rather than a market-based system of economic classes and was stratified by four state-imposed mechanisms: class labels assigned to people; household registration system dividing them into rural and urban residents; centralized employment in a command economy; and collective work units that divided employees into cadres and workers. In this system of "organized dependency," Chinese individuals were socio-economically dependent on their collective work unit and politically dependent on state-sponsored management. Because they were so dependent on outside forces, Chinese people lacked strong individual identities until the reform era, since the individual existed only in relationship and on behalf of the social groups, such as the family, work unit or a network of ranked social relations.⁸ On the surface, Maoist China was a highly collectivist society where the individual had lost almost all freedom and autonomy; people could not choose where to work or to reside, much less to which social or political groups they belonged. At a deeper level, however, with the Communist era creation of new social groups such as collective work units, the Chinese individual grew disembedded from the traditional networks of family, kinship, and community. Similarly, the constraints which China's traditional (i.e., Confucian and collectivist) values and behavioral norms enacted

⁷ For additional research on the Maoist era, see: Fei, 1948; Djilas, 1957; Walker, 1986; and Hanser, 2001.

⁸ Yan, "The Chinese Path to Individualization," 491-92.

towards the individual were diminished.⁹ In terms of changes in society and attitudes, the Maoist era was the first stage in the Chinese path to individualization because it distanced ordinary Chinese citizens from the traditional groups they had used to define themselves.

During the reform era, Yan argues, economic reforms complemented the individualization of society and further removed citizens from existing social structures. While the Chinese party-state reorganized many of its previous structures and relationships (like the Iron Rice Bowl employment), individuals were dislocated from the former socialist Maoist system and became newly self-reliant.¹⁰ In these ways, “the privatization of labor and most sectors of the economy represented a new and more profound wave of disembedding from the socialist public ownership and planned economy.”¹¹ One example is the growing rural-urban migration of Chinese workers (*dagong*, 打工), and another is the rise of entrepreneurship.

Under Maoist socialism, a person’s life course had been clearly defined by outside factors. The political label of good/bad class determined your political career, your birthplace prescribed status as an urban/rural resident, and local leadership determined the work units and type of work to which you would be assigned. The post-Mao reforms, though, broke this standard by allowing individuals to pursue private employment.¹² For the first time in centuries, Chinese individuals could choose to which groups they ascribed, determine their political and economic futures, and break free of government-assigned employment. A new understanding of meritocracy, where individual hard work could lead

⁹ Ibid., 492–93.

¹⁰ Ibid., 509.

¹¹ Ibid., 496.

¹² Ibid., 502.

to success, propelled many young people to venture into entrepreneurship so they could fully realize themselves. These changes, Yan says, came about because, while experiencing radical changes in life situation and environment during the past 30 years, the Chinese individual also went through a radical re-formation of the self and a search for individual identity.¹³ These newly important individual ambitions and identities were among the most important changes in the individualization process.

In summary, individualization in China began in an environment where individual rights and freedoms had been suppressed for decades. From the time the CCP took power in 1949, Western ideas of individual rights and autonomy were considered dangerous and thus suppressed by the Party, which viewed individualism as egotistical. Since reform and opening began in 1978, the key to understanding Chinese individualization, Yan says, lies in viewing it as a strategy to pursue modernity. This strategy was explored first by China's elite during the early 1990s and was later practiced at the societal level.¹⁴ Individualism in China has been created through the Party's reform policies, influx of Western ideas, and a reorientation around pursuing personal ambitions, desires and passions. These changes all help to explain the rise of entrepreneurship in the 21st century.

Effects of Economic Growth on Entrepreneurship and Individualism

Now let's consider the specifics regarding different generations of Chinese business managers. Many researchers, such as Ralston et al. (1999), have studied how individualism

¹³ For additional research on Chinese identities and individualism, see: *Analyzing Chinese Identity Today* by Shutian Zhang and Steve Kulich, *The Chinese at Work: Collectivism or Individualism* by Edward Yui-tim and *Deep China: The Moral Life of the Person* by Arthur Kleinman et al.

¹⁴ Yan, "The Chinese Path to Individualization," 507-9.

gradually replaced collectivism among young Chinese entrepreneurs. Ralston et al. examined the core values of three generations of Chinese managers: the New Generation (~40 years old in 1999), Current Generation (40-50 in 1999) and Older Generation (52+ in 1999). The latter two would have lived through some if not all of the Communist era's most extreme policies. Confirming their hypothesis, the New Generation (younger entrepreneurs) scored significantly higher on individualism, and lower on collectivism and Confucianism. In isolating the shift from collectivism to individualism, this study found that the decline in collectivism and Confucianism began with the Current Generation (born 1950-60), with a second significant decline for the New Generation (born after 1960). Their findings support the belief of Triandis et al. (1988) and Ralston et al. (1998) that individualism and collectivism are separate, independent dimensions, which implies that increased individualism does not necessarily correspond with a decline in collectivism.¹⁵ The resulting conclusion is that one group (entrepreneurs) can have growing individualism as their identity strengthens, yet the overall culture of collectivism may remain.

The persistence of individualist and collectivist forces in Chinese society helps account for the slow improvement of attitudes towards individual entrepreneurs. This duality is crucial for understanding the perceptions of China's youngest entrepreneurs. The New Generation of Chinese managers thus profiles as a generation that is more individualistic and less collectivistic than previous generations were.

Before I look at specific cases, I would like to introduce Pinillos and Reyes' study on the interesting relationship between the nature of society, its level of economic

¹⁵ Ralston et al., "Doing Business in the 21st Century with the New Generation of Chinese Managers," 424.

development, and the rise of entrepreneurship. As China prospered economically, its society became more individualized, which had a profound effect on entrepreneurship. One should note that individualist vs collectivist societies relate to levels of entrepreneurship in different ways. Pinillos and Reyes (2009) explored this relationship and found that individualism relates differently to entrepreneurship in countries with differing levels of development. Previous research suggested the individualist-collectivist divide is a key aspect of entrepreneurial behavior and related economic development to levels of entrepreneurial activity. Wennekers et al. (2005) observed a U-shaped relation between entrepreneurship and income per capita, implying that, at the start of economic development, the rate of new entrepreneurship declines, but picks up in further developed economies.¹⁶ Taking this research into account, Pinillos and Reyes hypothesize that

“the individualist culture will have a greater relationship with entrepreneurial activity when we refer to countries with a high level of income. Conversely, the collectivist culture will have the greatest relationship with entrepreneurial activity when we consider countries with a medium or low level of income.”¹⁷

To summarize, in developed countries, an individualist culture is positively correlated with entrepreneurship. The same study finds that developing countries will exhibit lower levels of entrepreneurship if their culture is more collectivist. This pattern can be contextualized in China’s case.¹⁸ From the 1970s-90s, China was less developed economically, exhibited a collectivist culture from the Maoist era and was marked by a nascent form of entrepreneurship. Pinillos and Reyes found that in developing countries,

¹⁶ María-José Pinillos and Luisa Reyes, “Relationship between Individualist-Collectivist Culture and Entrepreneurial Activity: Evidence from Global Entrepreneurship Monitor Data,” *Small Business Economics* 37, no. 1 (July 2011): 24.

¹⁷ Ibid.

¹⁸ In their 2009 study, China was labeled a developing country with total entrepreneurship rate of 14.0%, which is higher than the rate in the US and close to South Korea’s.

the higher the collectivist culture, the higher the level of entrepreneurship; such entrepreneurs were often driven by a need for achievement and affiliation. Their study helps explain the rise of Chinese entrepreneurship.¹⁹ In my previous findings, I have shown how individual entrepreneurship grew rapidly in China. If levels of entrepreneurship increased while the Chinese economy expanded, this would suggest, concurrent with Pinillos and Reyes' findings, that Chinese society was becoming individualized.

Perceptions of Entrepreneurs and Factors Supporting their Success

The massive growth in entrepreneurship offers further support for the study by Pinillos and Reyes. After Deng's Southern Tour drove countless entrepreneurs to start companies, China's economy grew spectacularly, at an average annual rate of 10.5% from 1991-99.²⁰ The growth in entrepreneurs is similarly staggering. The number of registered private entrepreneurs grew from 1.7 million in 2000 to 4.3 million in 2005, while registered private enterprises also jumped, from 3.9 million in 2000 to 11 million in 2005.²¹ Entrepreneurs nearly tripled in number in five years!²² These massive increases in individual entrepreneurship are undoubtedly linked with the government's promotion of

¹⁹ Pinillos and Reyes, "Relationship between Individualist-Collectivist Culture and Entrepreneurial Activity," 29-34.

²⁰ John Wong, *China's Emerging New Economy: The Internet and E-Commerce* (Singapore: Singapore; River Edge, NJ: Singapore University Press; World Scientific, 2001), 1.

²¹ Abrami, *Can China Lead?*, 43.

²² Registered private entrepreneurs and enterprises reflect entities that were not state-owned or state-backed, but fully independent as most Western companies are. More research is needed into whether registered private businesses reflect the full total of entrepreneurial firms. This issue is not a main focus on my paper.

entrepreneurship, as well as a growing societal acceptance of entrepreneurship as a desirable path to success.²³

What kinds of people were more likely to become entrepreneurs in the early 2000s? A key to understanding these early 2000s entrepreneurs is to see their shared traits and similar backgrounds. Chinese entrepreneurs and non-entrepreneurs are distinguished in a 2000 national household survey, whose findings are covered in “Self-Made in China” by Linda Yueh (2011). For two groups (entrepreneurs and non-entrepreneurs) of same average age and years of education, the study found three main differences in attributes: first, fewer entrepreneurs were CCP members (6% vs 18%); in 2000, Party members still leaned away from entering the private sector. Second, nearly one third of entrepreneurs had experienced unemployment, compared with less than 20% of non-entrepreneurs. However, the average entrepreneur earned 35% more than the average person when reentering employment. This finding is remarkable because, in most countries, individuals who experienced unemployment tend to receive a lower wage when reentering the workforce. Third, entrepreneurs have larger social networks than do non-entrepreneurs. Other aspects of an individual’s background increased their potential for entrepreneurship, such as having a mother who is well-educated or in a professional job. Having family members, particularly a father, in the CCP discouraged entrepreneurship, most likely in favor of joining the government or a state-owned company, both more stable jobs. These were key attributes of entrepreneurs, together with the desire to create private businesses after decades of central planning controlled by the government.²⁴

²³ Yongming, “Social Capital and Power,” 109.

²⁴ Linda Yueh, “Self-Made in China,” *RSA Journal* 157, no. 5546 (2011): 36–37.

Nonetheless, while the number of Chinese entrepreneurs grew tremendously, the degree to which individual entrepreneurs were seen positively is subject to interpretation. Indeed, public approval of entrepreneurs increased more slowly their numbers grew. While entrepreneurship became more popular in the early 2000s, the social position of entrepreneurs remained low, as it had been in the 1990s. Much of this distinction traces back to perceptions that entrepreneurs lacked *suzhi*, a Chinese term widely translated to mean “quality.” The concept of *suzhi* essentially claims that people of ‘high quality’ deserve higher status, more power, higher pay and more prestige than individuals of ‘low quality.’

In early 21st century China, *suzhi* became a concept used to justify the need for development and to rationalize hierarchy and inequality. Pre-2000s entrepreneurs had been categorized based on distinctions of “inside” vs “outside.” As shown in Hsu’s research (pages 29-31), people on the “inside,” often in government or SOE jobs, rarely considered entrepreneurship through the end of the 1990s. By the start of the 21st century, distinctions based on *suzhi* became prevalent in separating high-quality businessmen from low-quality *getihu*. These distinctions are similar to previous societal groupings of entrepreneurs by opportunity and entrepreneurs by necessity. Furthermore, Deng Xiaoping himself argued in 1994 that individuals with *suzhi* would lead China to develop modernity through science and technology. In the 21st century, China’s new heroes were innovative entrepreneurs with college degrees. They made money using their knowledge, often by starting companies in high-technology industries. These entrepreneurs gained high-quality *suzhi*.²⁵

²⁵ Hsu, “Cadres, Getihu, and Good Businesspeople,” 28.

The following first-hand interviews explore whether Chinese college students with high levels of *suzhi* were drawn to entrepreneurship in the early 2000s.

Arthur Chen interview: What did young college graduates pursue?

The interview I present below draws together the threads of the above discussion regarding the increased individualism in China, the characteristics of entrepreneurs and social perceptions towards entrepreneurship. To explore these topics, I interviewed Arthur Chen, a graduate of Peking University and current Executive Director at Fosun Group, which is China's largest conglomerate. In particular, my interview with Arthur reveals how entrepreneurship was viewed by well-educated Chinese college students, who would have been considered to have *suzhi*. By the early 2000s, joining the private sector was a common practice among many people, yet research has not revealed whether this changing acceptance extended to graduates of China's top-tier universities, who presumably enjoyed other employment options. Here, a key distinction on groups of entrepreneurs is needed. Early 2000s entrepreneurs can be divided into entrepreneurs by opportunity and entrepreneurs by necessity.²⁶ The latter group's members were often poor and/or poorly educated; the former saw opportunities and left behind stable jobs. Most existing research defines entrepreneurs by opportunity usually as former SOE workers who quit their jobs to join the private sector. I focus on the younger generation and what path they chose before having post-graduate work experience. My interviews shed light on this interesting topic.

²⁶ The distinction of entrepreneurs by opportunity vs by necessity is revisited in greater detail in Djankov et al.'s study on page 51.

Arthur Chen was born in 1982 in Kaifeng, a prefecture-level city in Central China's Henan province. Kaifeng was not particularly developed, even nowadays, and was relatively conservative. Arthur's family belonged to the lower-middle class; they were not poor but also not so rich, as he described it. Arthur was raised during the 1980s, what he called a very interesting time period, but did not experience the massive changes happening in the big cities and coastal areas. As did most of his generation, he took the college entrance exam (*gao kao*, 高考), after which he was admitted to Peking University (*Beida*), one of the top schools in China (known as the Harvard of China).

Growing up in a less developed city, Arthur remembered seeing small private businesses even at a young age. At the time, he and his peers would talk about and see people working in the streets, running food stands or grocery shops, but that was not even considered a proper profession. He told me:

“I still remember that, people would talk about who got rich. The first batch of people who got rich by starting their own business, most of them, especially in my hometown, were not by choice, but because they were not able to find a better job or a more stable job, with some sort of state-owned company.”²⁷

In Arthur's view, which my other interviews support, the first people who got rich from entrepreneurship were often unable to find another job, so they had to start their own business. As Arthur saw it, “that was a common phenomenon.” However, growing up in Kaifeng, he did not know anyone who owned his or her own business or who had started a private company. When he went to college, there were more private enterprises, and yet

²⁷ Chen, Arthur. Interview by author. Tape recording. Atlanta, November 9, 2016.

entrepreneurship as a profession or as choice was not a big thing. Looking back on his pre-college years, Arthur told me that:

“When I grew up, entrepreneurship was not even a concept that I heard of or people talked about or understood...everyone in my family, everyone I knew, was working for some sort of government or state-owned company...In my hometown, I did not know anyone owning his/her own business or who had start their own business voluntarily.”²⁸

There is a disconnect here between the growth of entrepreneurship in the 1980s and 1990s when, as I have shown, entrepreneurs were not yet a desirable class. Moreover, the path of entrepreneurship was far less stable than government and state-owned enterprises jobs. I was curious about this trend. In the early 2000s at Beida, one of China’s most prestigious universities, did students with such bright futures consider entrepreneurship a viable and attractive career path?

The answer depends on who you look at. In college, Arthur knew he wanted to become a lawyer, what he termed “kind of a fancy profession,” yet he dabbled a bit in entrepreneurship. When he was thinking of what to do professionally, though, “starting up a business was not really on the agenda.” However, during his college years, he did have a lot more exposure to entrepreneurship as a proper option and even had some friends who tried doing it. For example, a few of his classmates bought a van and would drive early to rural areas and buy foods for very low prices. Then, they would repackage and sell them to different dormitories at a slight markup. This kind of small-scale business hustle was becoming common on college campuses. Arthur had another friend who started a business recruiting top scorers on the *gao kao* as a kind of brokerage business. They linked up with

²⁸ Chen, Arthur. Interview by author. Tape recording. Atlanta, November 9, 2016.

high schools outside Beijing to give lectures and hold training sessions. With his high *gao kao* scores, Arthur was recruited into the business and participated a little bit as a teacher.

Beyond in-college entrepreneurship on a small scale, I was interested whether his Beida friends and peers who went into SOE or government jobs, private firms, or entrepreneurship were different in any ways. In our interview, we discussed if early entrepreneurship (before the mid-2000s) was attractive to students from a top Chinese college. An individual's region of origin and family background were very important here.

Reflecting on his Beida years, Arthur said that the majority of his classmates who ended up working for the government came from northern China; only a handful came from southern China, in relatively less-developed areas. Arthur's statements confirm earlier research that, in general, people from southern China are more business-oriented and more entrepreneurial. Arthur's classmates' background was important because:

“I think, if you grew up seeing a lot of people doing this [entrepreneurship], you wouldn't view it as very challenging or untraditional or something that you need to think about.”²⁹

Understandably, growing up around entrepreneurs would make an individual more receptive to entrepreneurship. Also, especially in Arthur's generation, he saw that many people who started their own business came from relatively better-off families. Students with such backgrounds felt more secure in choosing entrepreneurship, as they benefited from connections and financial backing that made success more likely and made failure less onerous. On the other hand, his classmates from rural areas or very poor families mostly chose SOE or government jobs. As Arthur said, “they can't afford the uncertainty

²⁹ Chen, Arthur. Interview by author. Tape recording. Atlanta, November 9, 2016.

surrounding starting your own business and not having a stable income... stability is very important to them.” He was quick to mention that government and big SOE jobs still hold much allure and provide high prestige and social status.

Even as entrepreneurs became more accepted, Arthur’s classmates, students at China’s highest levels of education and with all options spread out before them, still leaned away from entrepreneurship. Even though entrepreneurship had become a legitimate path, and increased individualization meant more freedom to choose your path, only his classmates from Southern China, who had witnessed higher levels of economic growth and successful entrepreneurship, pursued entrepreneurship after graduation. Entrepreneurship was thus acceptable and encouraged in the early 2000s, but not yet a desirable path for those with other career options. While entrepreneurship kept increasing, entrepreneurs still lacked a strong self-identity, which would have increased the attractiveness of entrepreneurship to young would-be entrepreneurs. Chinese society, with both individualized and collectivized elements, had yet to fully embrace entrepreneurs. Next, I examine several studies on the attributes of these early 2000s entrepreneurs and from what backgrounds they came.

Changing Distinctions among mid-2000s Entrepreneurs

Though graduates of Peking University were slow to embrace entrepreneurship in the early 2000s, certain attributes of entrepreneurs began to change as the term “entrepreneur” covered a more diverse group. Several studies on mid-2000s entrepreneurs are important for understanding my research on more recent entrepreneurs. While Chinese society was becoming more individualized, the values and backgrounds of Chinese entrepreneurs had not changed much by the mid-2000s. Three general perspectives on

entrepreneurship in social science are useful here. The first perspective emphasizes individual characteristics of entrepreneurs, such as risk acceptance, education and personality traits. The second focuses on the role of social networks, family background, values and beliefs. The third reflects their view on how economic, political and legal institutions encourage entrepreneurs. Few existing works look at any of one of these factors while also considering the others.

Djankov, Qian, Rolan and Zhuraskaya's study, "Entrepreneurship in China and Russia compared," examines entrepreneurs and non-entrepreneurs in China 2004-5 across the three variables defined in the previous paragraph (individual characteristics, sociological variables, and perceptions of institutions). Their study found no significant changes between core traits of 1990s vs early 2000s Chinese entrepreneurs such as risk acceptance, CCP membership or network size. However, the study found two new differences between entrepreneurs and non-entrepreneurs: First, entrepreneurs value relations with parents less significantly.³⁰ Second, entrepreneurs generally work for more industries than did non-entrepreneurs. This second finding supports the research of Lazar (2002), who found that Stanford MBA students with a higher number of jobs and shorter job tenures before business school were most likely to become entrepreneurs after.³¹ Moving around between jobs correlates with greater entrepreneurial ambition because it drives innovation by exposing entrepreneurs to more opportunities. The "Entrepreneurship in China and Russia compared" study confirms many early 2000s

³⁰ Simeon Djankov et al., "Entrepreneurship in China and Russia Compared," *Journal of the European Economic Association* 4, no. 2-3 (2006): 361.

³¹ *Ibid.*, 354.

characteristics of entrepreneurs while revealing that entrepreneurs more commonly opposed their parents' views and changed jobs more often.

Taking these characteristics into account, Djankov et al.'s 2006 study "Who are China's Entrepreneurs" draws a fundamental distinction among early 2000s entrepreneurs: they were either entrepreneurs by necessity or entrepreneurs by opportunity. From 2004-5, these researchers surveyed Chinese entrepreneurs and non-entrepreneurs in Beijing and six cities in three provinces (Hubei, Guangdong, Shaanxi). They suggest that "entrepreneurs by opportunity" became entrepreneurs because they saw a business opportunity. They exhibit more traits of Western, individualist entrepreneurs, like passionate ambition, risk-taking and desire for innovation. "Entrepreneurs by necessity" became entrepreneurs usually because they could not find another job; this group was common in the early reform era. Their acceptance of risk and social network size fall between those of entrepreneurs by opportunity and non-entrepreneurs.³² Djankov et al.'s study is one of the first studies to demonstrate this breakdown in entrepreneurs' motivations. They also measured entrepreneurs as more likely to have parents with Party connections, contradicting previous studies. As China transitioned into the later years of the 2000s, these differences in ambitions and motivations became stronger and more entrepreneurs were driven by opportunity, rather than by necessity. Existing research has yet to fill this gap by bringing this study up to date.

Conclusion

³² Simeon Djankov et al., "Who Are China's Entrepreneurs?," *American Economic Association* 96, no. 2 (May 2006): 350-52.

Throughout the early 2000s, individualization of Chinese society and continued economic reforms led to greater acceptance of entrepreneurship. In those years, entrepreneurs were typically individuals from Southern China, had entrepreneurs among their families and friends, and possessed strong individual ambitions. Unlike 1990s entrepreneurs, who were often SOE managers, early 2000s entrepreneurs were more individualist, ambitious, and open to change.³³ As shown, while China's economy prospered and income levels rose, individualism strengthened and entrepreneurship increased. However, these factors do not fully explain the lack of enthusiasm for entrepreneurship among those with high job prospects. Despite increased numbers of entrepreneurs, the desirability of entrepreneurship was weak among Peking University graduates. My interviews showed these people rarely pursued entrepreneurship when they had other job prospects. Much of this perspective came from the stability of SOE and government jobs, the lower status of entrepreneurs, and the lack of model entrepreneurs upon which to base one's identity. The next chapter examines the rise of certain entrepreneurs who created the prototype for modern Chinese entrepreneurs' identity.

³³ Liao and Sohmen, "The Development of Modern Entrepreneurship in China," 29.

Chapter 3: The BAT Leaders as China's Prototypical Entrepreneurs

This chapter examines the rise of China's most successful private firms as the prototype for entrepreneurs' self-identity and a key motivator for further entrepreneurship. As I have shown, by the mid-2000s, the environment for entrepreneurship had strengthened and the number of entrepreneurs had grown. However, as discussed in Chapter 2, entrepreneurship was for most people still less desirable than government or SOE jobs. Why did fewer people identify as entrepreneurs and why was entrepreneurship not as admired? My research shows that entrepreneurship was less desirable because entrepreneurs lacked prototype successful entrepreneurs on whom to base their identity.

Within the past 10-15 years, though, certain private companies developed in China which came to represent the ideal prototype for other entrepreneurs' self-identity. These firms are innovative, led by charismatic leaders and are both internationally-known and admired within China. As noted on page 10, these firms are known as BAT, an acronym for their names: Baidu, which specializes in web content and search; Alibaba, China's king of e-commerce; and Tencent, the leader in Internet services and creator of WeChat, China's most popular mobile app.¹ This chapter begins by exploring the circumstances that gave rise to BAT, how they have found success and how they lead countless others to pursue entrepreneurship. I further examine how their leaders are held up as successful models for entrepreneurs and how they teach others to follow their path. Finally, using the social

¹ Recently, the term "BAT" has come to include other leading innovative firms such as Huawei (telecom), Lenovo (computers, phones, tech) and Didi Chuxing (ride-hailing). However, every reference to BAT in my paper refers only to Baidu, Alibaba and Tencent.

identity theory developed Henri Tajfel, John Turner and others, I prove why the BAT's leaders are seen as the prototypes for successful modern Chinese entrepreneurs.

What makes BAT different: Comparison of Baidu and Alibaba

While present-day China has many successful private firms, what sets the BAT companies apart is that they are innovative, are known and respected around the world, and have leaders who encourage others to become entrepreneurs through their mass literature, celebrity and public profiles. Together, the BAT are three of China's best examples of model domestic entrepreneurial firms; last year, *The Wall Street Journal* referred to the BAT as the "kingmakers of China's Internet."² Most Chinese people speak of the BAT as the foremost innovators, movers-and-shakers, and ambitious firms within China. They are led by three of China's most recognizable entrepreneurs: Baidu's Robin Li, Alibaba's Jack Ma and Tencent's Ma Huateng. BAT's leaders are held up by China's media and Chinese citizens as the foremost examples of entrepreneurial success.³ The topic of BAT companies is one without much research done in English; I used several Chinese sources to examine this subject further. To better understand BAT and why they are so admired, I will start by contrasting the history of two of the BAT companies: Baidu and Alibaba.

Baidu is China's most popular search engine and an early innovator in Internet-based entrepreneurship. It is also the most popular navigation site in China and, as the market

² Li Yuan, "Kingmakers of China's Internet: Baidu, Alibaba and Tencent," *Wall Street Journal*, October 21, 2015, sec. Tech, <http://www.wsj.com/articles/kingmakers-of-chinas-internet-baidu-alibaba-and-tencent-1445451143>.

³ As every interview subject of mine told me, there is little to no existing research on the topic of BAT and their influence.

leader in online search, is often referred to as the Google of China. Its co-founder, Chairman and CEO is Robin Li, a 48-year old native of Shanxi province who grew up during the Cultural Revolution. Li attended Peking University, though his education was interrupted when the school was closed during his sophomore year in the crackdown after the 1989 Tiananmen Square protests. In 1991, he gained experience overseas as he moved to the US after graduation. He first worked for Dow Jones in New Jersey and then Infoseek in Silicon Valley. There, he became acquainted with many of the U.S.'s biggest Internet technology players and gained significant skills, connections and knowledge, which he brought back with him to China. In 2000, he founded Baidu at the height of the Dot.com boom. Baidu's timing was impeccable, as the firm was ideally positioned to benefit from the massive increase in Chinese Internet users. Even by 2004, the entire Chinese search engine market was worth just \$151 million, compared with \$4 billion in the US. By 2005, company went public, and Li's wealth rose to \$900 million.⁴

As an early entrant into China's private technology-based business, Robin Li became a prototype for other entrepreneurs to follow. Nowadays, Li has come to dominate the growing Internet market with a near-limitless ambition and drive for success. He has been quoted saying that "we want to invest aggressively to make sure that we become the most dominant player in the most profitable area of the Internet in China."⁵ Though Li is an example of BAT's success, his public image is not without controversy. "To his many domestic admirers, he is a model Internet entrepreneur who has beaten off some of the world's most powerful multinationals (Google, Yahoo etc.). But his detractors, particularly

⁴ Jonathan Watts, "The Man behind China's Answer to Google," *The Guardian*, December 8, 2005, sec. Technology, <https://www.theguardian.com/technology/2005/dec/08/piracy.news>.

⁵ Ibid.

in the global entertainment industry, accuse him of being the navigator-in-chief for an armada of online piracy.”⁶ Despite being a key example of success, Robin Li and Baidu have faced criticism for bowing to government rules on censorship. In this way, Baidu and Robin Li are as much models for entrepreneurial ambition as they are examples of what can be necessary to stay powerful in China. Through his hard work and ambition in building Baidu into the leading Chinese search engine, Li is a great example of a prototypical Chinese BAT entrepreneur.

Alibaba is another massive BAT success story. It is one China’s most innovative private firms, and its founder, Jack Ma, is the foremost example of a successful Chinese entrepreneur. Ma’s background and story demonstrate the challenges of innovating in China and the importance of entrepreneurship to his identity. In 1999, Jack Ma founded Alibaba as a business-to-business portal to connect Chinese manufacturers with overseas buyers. In fact, he left a government job to launch Alibaba, showing his early entrepreneurial spirit. In 2005, Alibaba created Taobao, a consumer-to-consumer site similar to eBay, which became one of China’s most used online services. By the time Alibaba went public on the NASDAQ in September 2014, it was valued at \$231 billion and had the largest IPO ever, raising \$21.8 billion. The company is now one of the most well-known in the world and has become nearly ubiquitous in China, with some of the most visited websites in the world. Its wide range of products and services includes Taobao; Alipay, an online payment system similar to PayPal; and Ant Financial, the firm’s lending

⁶ Ibid.

arm for individuals and businesses. The story of Jack Ma and Alibaba reflect the Chinese entrepreneurial spirit.

Though I knew about Jack Ma and Alibaba's history before beginning my research, I learned much more about his background that shows why he is so admired. Despite his success, his image is that of an average person with persistent endurance who never gave up his dream. This image reinforces to others that his success has been so unlikely. While I was doing research in Beijing, I heard an old story about Jack Ma from when he was just starting out. He printed thousands of original businesses cards and was seen giving his card to anyone who passed by him, in the years after starting his own business. That story shows that he was always a hard-working and ambitious young man who followed his dreams to the heights of China's business world. In an extremely crucial point, his public image does not emphasize his wealth, but rather how he became rich and what others can learn from his experience. His image and persona thus focus on the lengths he went through to reach great success, which makes his story more relatable to ordinary citizens.

Key Factors that Gave Rise to BAT

Beyond the individual ambitions of BAT, the rise of the Internet and easier access to funding also supported their success. Debbie Liao and Philip Sohmen found in "The Development of Modern Entrepreneurship in China" that the three main problems for late 1990s entrepreneurs were political and legal uncertainty; access to labor, funding and technology; and low social status.⁷ However, as the 2000s rise of the Internet increased

⁷ Liao and Sohmen, "The Development of Modern Entrepreneurship in China," 29.

opportunities for entrepreneurs and reduced their labor requirements, and startup funding become easier to obtain, more people were willing to give up stable jobs for the risk of entering private entrepreneurship. These two factors thus strengthened the individual ambitions and self-identities of entrepreneurs.

The rise of Internet promoted entrepreneurship by creating new opportunities and reducing startup costs. The development of new technologies had been a key focus of the government since the state-sponsored opening of Zhongguancun (full name: Beijing High-Technology Industry Development Experimental Zone) in 1988. Better known as China's Silicon Valley, this state-sponsored incubator in Beijing has had massive success as the founding location of many of China's best-known private technology firms. The CCP kept playing a key role in the Internet's growth through increasing subsidies, relaxing restrictions on investment and creating of more high-tech zones to promote science and technology development.⁸ At the same time, the Internet market was growing rapidly. In 2001, fewer than 22 million Chinese were Internet users. By 2005, China had 120 million Internet users and that number reached 721 million in 2016.⁹ The expansion of the Internet facilitated the rise of entrepreneurial activities. Before the rise of the Internet, entrepreneurs needed significant capital, workers and land to start a company. The Internet reshaped these requirements; entrepreneurs could now start a company more easily and without much capital or labor. Oftentimes, they just needed to rent office space (which incubators like Zhongguancun often provided), hire a handful of similarly ambitious people, and get their product/service in front of customers. The BAT firms, which are all

⁸ Wong, *China's Emerging New Economy*.

⁹ "China Internet Users," accessed January 13, 2017, <http://www.internetlivestats.com/internet-users/china/>.

Internet-based and technology-focused, were ideally positioned to benefit from these trends. Overall, the Internet made it easier to pursue entrepreneurship and promoted the creation of many ambitious, technology-focused firms.

While the Internet created opportunities for entrepreneurs, easier access to funding helped support the companies they started. In the early 2000s, China's financial sector began slowly opening to entrepreneurs, giving them better financial support. After shunning entrepreneurs in past decades, Chinese banks started offering loans to individual entrepreneurs in 2002-2003.¹⁰ Armed with more capital and government support, unlike in previous decades, ambitious entrepreneurs were better able to launch their ventures. Meanwhile, the growth of venture capital firms reduced the risk of entrepreneurs suffering great losses, as they would with a bank loan, if their company failed.¹¹ Heightened financial support for entrepreneurship thus allowed countless entrepreneurs to pursue their individual dreams, while also reshaping which people became entrepreneurs. Before the 2000s, entrepreneurs needed a combination of Party connections, startup capital and fixed assets to start a company. Easier access to funding and lower startup costs allowed more ordinary people to pursue entrepreneurship.

Relationship between Earlier Technology Firms and BAT

With the growth of the Internet and easier access to funding, many private technology firms found success by the mid-2000s. Early Chinese Internet firms such as Sina

¹⁰ Nie, *Made in China*, 125.

¹¹ For additional research on financing Chinese startups, particularly for venture capital, see: *Developments in Chinese Entrepreneurship* by Douglas Cumming, Michael Firth, Wenxuan Hou, and Edward Lee.

(online media) and Sohu (search and game services) boosted the popularity of the Internet and helped level the playing field for Chinese Internet technology companies to compete with their foreign rivals. As Zhang, Wang and Alon point out, “the value of these high-tech enterprises [was] not only their market worth but their role as pioneers in technology development. They have instilled new vitality in business development.”¹² China certainly had successful private firms before the last decade. In fact, by the early 2000s, some of China’s best-known technology entrepreneurs worked for the private sector. Early examples include Huawei (founded in 1987; telecom and technology), Wanda Group (1988; commercial property and cinemas) and Lenovo (1984; technology).¹³ However, many early Internet firms often imitated Western business models (e.g.: social media site Ren Ren Wang, a close copy of Facebook) or took advantage of loose regulations on things like intellectual property. Nevertheless, these firms laid the foundation for BAT’s later success.

Though BAT found success for the reasons detailed above, there were clearly earlier private tech companies in China. What has made BAT so admired? Why are they the prototype for modern entrepreneurs? The key reason is that BAT are different from earlier successful homegrown firms in reputation, innovation and success. The successful, charismatic and ambitious BAT leaders are also more well-known to Chinese people than were previous business leaders. Until the past decade, though, China’s largest companies included few private firms without government backing. From my interviews, I learned that the lack model private firms dissuaded many ambitious would-be entrepreneurs from starting their own companies. Rankings of China’s largest firms are useful here. While the

¹² Zhang, Wang, and Alon, *Entrepreneurial and business elites of China*, xxxiii.

¹³ Rajiv Shah, *Innovation, Entrepreneurship, and the Economy in the US, China, and India*, 278.

number of SOEs declined, in the 2005 list of top Chinese companies, all of China's largest 19 firms were state-backed. From 2003 to 2012, many private enterprises appeared on official lists of China's largest enterprises. However, by 2014, the only notable private companies on the list were JD.com, Tencent, Inspur and Baidu.¹⁴ Among China's largest private companies were state-backed giants like Sinopec, China Construction Bank and China Mobile. These are all former SOEs that were privatized yet maintain their government contacts and preferential treatment. Though private and no longer state-owned in theory, these are still state-backed firms. There is a key difference in China between private firms that are state-backed and those that are market-driven. The latter group, private companies in the Western sense (i.e., shareholders, no preferential treatment, free competition etc.), has only risen to prominence in the last five years. This group is led by the successful BAT companies.

The success of BAT can be shown through comparing them to their competitors, either state-backed or private. The annual studies of China's most valuable brands, done by MillwardBrown, create a useful comparison. In 2010, state-owned companies dominated the Chinese economy, taking 8 of the top 10 spots and 70-75% of the combined value of the top 50. The only private firms in the top 10 were Baidu and Tencent.¹⁵ By 2012 and 2013, the demand for innovation was pressuring many companies and lowering some of their values. Still, Baidu and Tencent were noted for their commitment to innovation and ranked #4 and #5, respectively. Most new entrants to the top 100 in 2013, which expanded from a

¹⁴ "Top 10 Chinese Enterprises in 2014," *China Daily*, September 17, 2014, <http://en.people.cn/business/n/2014/0917/c90778-8783821.html>.

¹⁵ Laurie Burkitt, "State of Things: What Are China's Top 50 Brands?," *WSJ*, December 15, 2010, <http://blogs.wsj.com/chinarealtime/2010/12/15/state-of-things-what-are-chinas-top-50-brands/>.

top 50 list in 2012, were market-driven firms (34 to 16).¹⁶ By 2015, the BAT had a dominant presence. Alibaba entered the list at #2, valued at \$59 billion mere months after its IPO, and Baidu was ranked #5 (\$31 billion). Tencent, however, was the biggest gainer, becoming the #1 most value brand in China with a value of \$66 billion. Tencent taking the title of China's most valuable brand long held by state-backed China Mobile marked a surge in private companies, which accounted for 47% of the value of the top 100 brands.¹⁷ This change came as the government continued promoting the private sector and successes of market-driven firms. Last year saw the peak of BAT success. Tencent was again China's #1 most valuable brand, Alibaba was #3 and Baidu was #5. The BAT are now three of China's five most valuable brands. Another notable fact is that, for the first time, half of the top 10 were market-driven firms (the others: Huawei and Ping An Insurance). Additional top private firms include JD.com, Dalian Wanda and LeTV.¹⁸ Not only did the BAT rise in success, but so also did other entrepreneurial firms seeking to build off their success.

The BAT's prestige, reputation and renown have grown as they have competed with, and eventually surpassed, China's state-backed firms and older private firms. As a result, BAT are now an attractive model for other entrepreneurs. BAT's ambition and success have also boosted China's place on the world stage, as in the view of Deng Xiaoping, who thought

¹⁶ Laurie Burkitt, "China's Top 100 Brands: Private Companies Gaining Ground," *WSJ*, December 3, 2013, <http://blogs.wsj.com/chinarealtime/2013/12/03/chinas-top-100-brands-private-companies-gaining-ground/>.

¹⁷ Laurie Burkitt, "China's Top 100 Brands: The Private Sector Reigns Supreme," *WSJ*, January 27, 2015, <http://blogs.wsj.com/chinarealtime/2015/01/27/chinas-top-100-brands-the-private-sector-reigns-supreme/>.

¹⁸ MillwardBrown and WPP, "Top 100 Most Valuable Chinese Brands 2016," Annual report on Chinese brands, (March 21, 2016), http://www.millwardbrown.com/BrandZ/2016/China/2016_China_Top100_EN.pdf.

those who created wealth should be viewed as patriotic heroes. In the next section, I show how the BAT leaders, with their massive success, have influenced the masses.

Effects of BAT through their Celebrity and Mass Literature

The BAT entrepreneurs are more than successful businessmen; they are held up as icons and modern-day celebrities, implying that other entrepreneurs admire BAT and seek to embody the attributes of BAT's leaders. Many researchers have studied the creation of celebrity, especially how cultural and economic shifts create new celebrities, as well as how the social functions of celebrity relate to the creation of new forms of identity (Hartley 2005; Marshall 1997, 2004, 2006; Redmond and Holmes 2007; Turner 2004). As Elaine Jeffreys and Louise Edwards suggest in "Celebrity in China," modern Chinese celebrities are known for love of country, overcoming extraordinary odds to achieve success, and status-giving consumption. Overall, they argue, BAT leaders are famous due to their high media visibility and are now celebrities, rather than merely public figures.¹⁹

Through their public exposure and legions of fans, the BAT leaders spread their belief in individual entrepreneurship and lessons from their experience. In fact, as public figures, BAT's leaders have been elevated to national celebrity-heroes for their willingness to share business acumen and philosophies for success.²⁰ More than being models of prosperity for individuals, these successful entrepreneurs have become a sign of state economic and developmental progress. Now, China's national hero is no longer Lei Feng, the Communist propaganda figure; in a way, China's new national hero is the successful

¹⁹ Elaine Jeffreys and Louise Edwards, "Celebrity in China," *Hong Kong University Press*, 2010, 5.

²⁰ *Ibid.*, 16-17.

entrepreneur, embodied by BAT, “whose economic prowess represents the best and the brightest national hope for global competition.”²¹ Most importantly, the BAT entrepreneurs spend time and effort to teach ordinary citizens how to become like them and achieve their level of success.

This desire to educate others about how to achieve success separates BAT leaders from other entrepreneurs. In the present day, the BAT leaders are idolized through their use of mass literature to teach others how to follow their model. Of all the Chinese entrepreneurs, Jack Ma is the most active in teaching others. His writings inform others about how to become an entrepreneur, what is needed to be successful, and how to pursue one’s dreams. There’s an interesting quote from Ma that he gave on the TV show *Fortune Time* in 2006. He said, “you can learn from models, but you may kill yourself struggling to fight opponents.”²² Essentially, in business, by studying good role models, acting courageously when needed and maintain ambitious dreams, one can become successful and famous like Jack Ma. Another interesting Jack Ma quote is:

“If people like us really desire success, we must be extraordinarily diligent every day. Only after living through today can you face tomorrow. Only after making it through tomorrow can you see the sun of the day after.”²³

It takes tremendous hard work, risk-taking and personal sacrifice to be an entrepreneur. With a good model in hand, though, anyone can work through the challenges to become successful. I believe that Jack Ma, who has been so successful with Alibaba, is the ideal entrepreneurial model. A young Chinese person would look at him and, following his model

²¹ China’s Celebrity Entrepreneurs, 194.

²² Davies, Edwards, and Jeffreys, “China’s Celebrity Entrepreneurs,” 209.

²³ *Ibid.*, 211.

and advice, decide to become an entrepreneur. This key distinction separates BAT's leaders from entrepreneurs before the mid-2000s: today's BAT leaders are so admired, they are followed by young Chinese people into entrepreneurship.

During my trip to China, I could not help but see examples of the successes of Chinese entrepreneurs. Their photos are everywhere, in newspapers, magazines, TV shows, even bookstores. There are so many books or papers talking about their stories, which young people and young entrepreneurs who seek to follow their path can use to study their ideas. This idea struck me when I visited a bookstore in Beijing's Qianmen Street, a shopping area mere blocks from Tiananmen Square. Just minutes away from China's government headquarters in Zhongnanhai and the site of the tragic 1989 protests, I walked the bookstore's aisles and noticed the smiling faces of Jack Ma and Robin Li looking up at me from dozens of books. I walked into the section on Entrepreneurship (创业) and looked around, surrounded by curious teenage Chinese students, most looking like they had just gotten out of class. There were dozens of books talking about Alibaba, giving insights on its rise, and still more on Baidu, Huawei, Tencent, Didi Chuxing and others. I bought a few copies for myself and spent some time reading through them. Jack Ma's book "我的人生哲学" (English name: My Personal Philosophy) was especially remarkable. As Ma himself says, if he can be successful, then 80 percent of Chinese people can be successful too.²⁴ His insights and willingness to teach other entrepreneurs show the cultural industry that has developed around BAT as models for success.

²⁴ Ibid., 210.

Interpretation of BAT's Impact using the Social Identity Theory

With these pieces in mind, the BAT and their leaders clearly form the prototype for the self-identity of Chinese entrepreneurs. The vast literature, media coverage and celebrity status of BAT and their leaders propagates them as “business models” of success. These models emphasize qualities within the individual, such as hard work, determination and perseverance, rather than outward advantages or limitations, such as opportunity, education or social class.²⁵ Before BAT's rise, fewer people pursued entrepreneurship by leaving a position with the government or an existing business, partly because there was no strong group of Chinese entrepreneurs to identify with. Nowadays, with BAT's massive success, their leaders are looked up to by young Chinese people who want to become like them. This trend has created a stronger self-identity for these individual entrepreneurs.

The social identity theory explains how and why this self-identity is constructed. (pages 7-8). Social identity theory defines the self as highly responsive to immediate context and to changes in intra-group relations. Also, one's self-identity strengthens as the outside environment becomes more accepting and as there are prototypes on which to base one's identity. Given BAT's public profile, widespread celebrity and tremendous success, I believe they are the ideal prototype for modern Chinese entrepreneurs' identity. The BAT's leaders teach others how to be successful; if you follow their path, you can become like them! Social identity theory also uses self-categorization to create self-identity and creates social groups based on prototypes. This prototype, subject to change over time, can be followed and refined by any individual. A late 2000s entrepreneur would see the

²⁵ Ibid., 194.

success of BAT and want to learn from their experience, thus refining this individual's identity as an entrepreneur.

The modern entrepreneurs embodied by BAT are uniquely important because they have innovated to success and spread their image to others. During the early years of economic reform, many people started their own business, but not always to do something different. Many times, it was for profit or for opportunity, essentially going into the market as a private business to make money. Within the social identity theory, people choose an identity not based on their role in society but on their position within society, thus using a lot of outside feedback. Since earlier entrepreneurs had a low societal position, many were unlikely to ascribe to that identity. However, social identity theory offers the flexibility to redefine your identity as the environment and norms around you change. As the BAT became more successful and admired, their leaders came to represent the ideal prototype for entrepreneurs which social identity theory requires. As a result, current and potential entrepreneurs now benefit from a strengthened self-identity. In China, entrepreneurship used to be a non-existent path, then was a path to make money, and now is a path to do something different with the successful BAT leaders as the ideal prototype.

Conclusion

The BAT and their leaders represent the prototype for Chinese entrepreneurs through their business success, public image, and teaching efforts. Their success is important for many reasons. The BAT represent the importance of how you get rich; they succeeded due to innovation, not by taking advantage of new rules or regulations. Their leaders were also drawn to entrepreneurship as a creative path, not choosing it by

necessity. Additionally, BAT's leaders are looked up to by young people and teach others through mass literature. In their success, renown and public image, the BAT leaders are upheld by the Chinese masses as the foremost examples of entrepreneurial success and ambition. Finally, maybe the most crucial effect of BAT is that their success has given rise to a perception that such success is achievable by others.

As successful entrepreneurial individuals, the BAT's leaders are famous, popular, well-known and successfully competing on a world stage. For Chinese business heroes like Jack Ma, reading about them or hearing native Chinese people discuss them reminds me of American innovative icons like Bill Gates, Steve Jobs or Mark Zuckerberg. That is, successful entrepreneurs like Jack Ma have changed the fundamental complexion of entrepreneurship in China through creative innovation, massive ambition and a willingness to teach others how to become entrepreneurs. The success of BAT and their leaders is incredibly important for understanding why modern Chinese people are pursuing entrepreneurship and for studying the changing nature of present-day entrepreneurs in China.

Chapter 4:

Who are China's Modern Entrepreneurs?

Modern-day Chinese entrepreneurs have the requisite ambitions, environment and prototypes for high levels of success. As previously shown, a combination on structural and social factors has created, supported and expanded China's current breadth of entrepreneurship. In the most recent half-decade, entrepreneurs have gained a stronger self-identity from the massive success of BAT companies. Seeing the BAT's success as achievable, countless other entrepreneurs have sought to follow in their footsteps.

What common traits characterize China's modern entrepreneurs? Are there similarities in their motivations and how they envision success? My research has examined these questions and, from the interviews I conducted, generated answers to the attributes and motivations of modern entrepreneurs. This chapter explains five key traits that define China's newest entrepreneurs. These traits are:

- 1) ambitious passion
- 2) creative innovations
- 3) doing what you love
- 4) having the support of BAT
- 5) going against your parents' wishes

The traits and motivations of modern entrepreneurs were the focus of my trip to China in Fall 2016. In traveling to Shanghai, Nanjing and Beijing, I interviewed many entrepreneurs at different career stages, who have all enjoyed high levels of education and are now successful. My interview subjects included Julyn Zhang, a legal counsel at Uber China; Stanley Zhao, founder of online media startup Bilibili and a college classmate of

Julyn's; and Zhang Rui, the founder of Social Touch, China's first online advertising company. Their stories demonstrate the importance of entrepreneurship in China and why well-educated Chinese people are leaving stable jobs to become entrepreneurs. By studying the attributes of modern Chinese entrepreneurs, this chapter reveals the ambitions and motivations of present-day entrepreneurs, as well as their strengthened self-identity and individualism.

Before examining the specific traits of modern Chinese entrepreneurs, I consider their status in Chinese society and attitudes towards them. The success of modern entrepreneurs has encouraged more young Chinese people to pursue their dreams while the climate for entrepreneurs has improved. During my Skype interview with my friend and Fosun Group official Arthur Chen, first introduced in Chapter 2, we discussed the climate for entrepreneurship and attitudes towards entrepreneurs. With his background as a lawyer and businessman, Arthur was very insightful on these topics. First, he noted, the interest in entrepreneurship traces back to China reform era. "Deng [Xiaoping] promoted the slogan, 'to get rich is glorious,' but he never said how to get rich," he told me. Chinese society did not have an ideal concept of entrepreneurs until the rise of the BAT companies in the mid-2000s. For decades, entrepreneurs were an undesirable group yet, once society accepted and praised them, ambitious entrepreneurs became admired models for others to follow, while teaching others how to become successful. Arthur added a crucial point:

"Now you see the best and brightest starting their own business and becoming millionaires and billionaires. When you see those stories on the daily basis, that perception [the negative perception of entrepreneurs] is definitely changing as well."¹

¹ Chen, Arthur. Interview by author. Tape recording. Atlanta, November 9, 2016.

Entrepreneurs are not just accepted in present-day Chinese society, they are also some of China's most successful businesspeople. Additionally, not only is entrepreneurship more acceptable, it has become easier to pursue. Greater access to funding, lower startup costs for tech firms, and support from the BAT are just some factors motivating more well-educated individuals to become entrepreneurs. Beyond their financial, governmental and societal support, today's entrepreneurs are encouraged to act on their ideas and change the world.² The following sections will discuss the traits and stories of several present-day entrepreneurs.

The Five Common Traits of Modern Chinese Entrepreneurs:

Ambitious passion (1)

At the most basic level, all entrepreneurs must have ambition and passion. As entrepreneurship in China became a very desirable, attractive path for young people to pursue, new entrepreneurs also display these two traits. I explored the characteristics of modern entrepreneurs when, on my trip to China, I attended an Entrepreneur Summit in Shanghai on October 13, 2016 at the invitation of my former professor, Dr. Steve Chao. In the morning session, I heard from a dozen entrepreneurs about their startups, experiences in entrepreneurship and dreams for their companies. The afternoon session had presentations from students from Shanghai's Advanced Institute of Finance and the U.S.'s Babson College. Leading Chinese venture capital (VC) and startup firms judged these presentations; one of the judges was Mr. Ning Liu, a partner at Chinese VC firm Shinovation

² Arthur emphasized that, "when it comes to that stage [big success], it doesn't matter if you are a state-owned or private company." For example, Alibaba is a private company but receives enormous support from Hangzhou, its home city, probably because they are the most influential business that the city has produced.

Capital. Later, I spoke with Mr. Liu, who also has dozens of years of experience working with Chinese entrepreneurs. He shared many interesting insights on who is becoming an entrepreneur in China.

Reflecting on the current landscape, Mr. Liu spoke to me about the traits he sees in most recently successful entrepreneurs. To start, he said, they all have vision, passion, and good team spirit, and they are all motivated. These are essential qualities for aspiring entrepreneurs. More importantly, he told me, “if they can see the opportunities that others built, they will truly seek to make them better. And there is no innovation without creative ideas.”³ None of these qualities is unique to Chinese business or entrepreneurship in general, where passion, motivation, drive and tenacity have always been key to success. However, Mr. Liu’s closing remarks highlighted two important changes. First, in his view, all entrepreneurs must have “high career expectation about what you are trying to achieve and the ways to achieve it.”⁴ They should not settle for secure employment, but rather strive to create their ideal job. Second, he downplayed profit-seeking; his final piece of advice to all entrepreneurs was that they should focus least on profits. By emphasizing the ambition of modern entrepreneurs to create improved business, Mr. Liu seemed to highlight the passion that lies at the heart of present-day entrepreneurship.

Mr. Liu’s story suggests how the larger population views the newest entrepreneurs. My research found that a popular term for Chinese domestic entrepreneurs is “indigenous wolves.” This Chinese term comes from the book *Lang Tuteng* (Wolf Totem), which tells the story of a young man sent to the Mongolian countryside during the Cultural Revolution. In

³ Liu, Ning. Speech recorded by author. Tape recording. Shanghai, October 13, 2016.

⁴ Liu, Ning. Speech recorded by author. Tape recording. Shanghai, October 13, 2016.

his encounters and survival, he develops a “wolf-like character.” This term is especially popular in the vocabulary of business competition. A *lang* businessperson is at once cunningly creative and uncomfortable with authority. Such a person can be a heroic leader, yet balance individuality with group spirit.⁵ Nowadays, there is a whole generation of Chinese entrepreneurs who see themselves as “wolves” in the way they pursue their passions and create a better future.

Stanley Zhao is an excellent example of Chinese entrepreneurs’ ambition and passion. Stanley has a very interesting backstory; he is slightly older than most entrepreneurs, because it took him longer to figure out his path, but once he did, he found that he loved entrepreneurship. His startup, Bilibili, is an online talk show with content related to reading and is in acquisition talks with many large Chinese companies. Over several weeks, Stanley and I spoke at length in Chinese using the messaging app WeChat about why he started his company and how he ascribes his identity to his entrepreneurial endeavors.

Creative Innovations (2)

Beyond becoming successful and making profits, today’s Chinese entrepreneurs want to do something different and innovative. In their case, creativity is a fundamental quality possessed by China’s modern entrepreneurs. I examined this topic in my conversations with Julyn Zhang, a close family friend for many years. Julyn is an extremely smart and caring person. Originally from a rural household, she attended China’s prestigious Peking University (*Beida*) and graduated in 2012 with a J.D. and LL.M. in Law. After graduation, she worked as an associate for King & Wood Mallesons, followed by

⁵ Davies, Edwards, and Jeffreys, “China’s Celebrity Entrepreneurs,” 200.

working as Legal Counsel for Baidu, then Uber China, and now Mobike. During my trip, I met with Julyn and her husband over lunch in Beijing. As we started talking and I took notes, it was clear how her background and experiences had given her a well-informed perspective on entrepreneurship in China. In our conversation, we discussed the newfound acceptance of entrepreneurs and what motivated her peers to start their own companies.

For the many young entrepreneurs currently in China, their ambitions have changed for two main reasons, Julyn said. First, in today's China, making money is harder than in the 1990s. Since working for another company makes it slow to increase one's wealth, many young people choose to start their own company as a quicker and easier way to make money. However, I asked her, if making money is the objective, why not choose one of the many established career paths already available? She proceeded to clarify her answer, as her second reason was even more interesting:

“Another reason behind their motives is they really want to do something, really want to make some innovation, they want to be creative, and they want to change the world. I think these kinds of ideas are mainly coming from those graduates from universities or graduate schools, and they are very energetic. They've learned a lot of things in their schools and they want to put them into application.”⁶

Thinking back on friends of hers, Julyn shows here a fundamental shift in the reasons why young Chinese are pursuing entrepreneurship. These potential entrepreneurs have realistic ambitions of affecting large-scale changes in a wide range of industries and markets. Coming out of university or graduate school with new ambitions, modern entrepreneurs are well-educated and want to turn their ideas into reality.

In our interview, Julyn further identified that Chinese newest entrepreneurs want to start innovative new companies, rather than imitate or work for the BAT. For Julyn and her

⁶ Zhang, Julyn. Interview by author. Tape recording. Atlanta, November 13, 2016.

peers, “we don’t think about starting the next BAT. We want to develop new industries.”⁷ Her statement should be surprising for many reasons. The BAT represent the prototype for Chinese entrepreneurs’ self-identity; why would some people not want to be like them? Actually, young people who go work for BAT, Julyn told me, are not seen as entrepreneurs. By working for these giant companies, they are not mapping their own trail with innovation and creativity. Obviously, BAT have industry expertise, creative know-how and long-standing reputation for succeeding in their respective fields. However, when a BAT employee has ideas and ambitions beyond the company’s current focus, the BAT are well-known for stifling that creativity and innovation within their own ranks. As a result, while BAT remain the model for success, building the next BAT is neither feasible nor desirable. While Peking University graduates previously shied away from entrepreneurship, as shown in Arthur Chen’s interview, Julyn reveals that her Beida peers now see entrepreneurship as a desirable path to success through innovation.

The story of Zhang Rui shows modern entrepreneurs’ ambitions and drive to innovate. Mr. Zhang, whose story Arthur Chen relayed to me in an interview, gave up great employment and a stable future to do something new. Mr. Zhang founded the company Social Touch (时趣), a digital marketing solution provider for enterprises. His was the first company to focus on big data analysis for marketing in China and quickly established a leading position in Chinese mobile social marketing solutions. In chasing his dream, he showed the drive and creativity necessary for success in entrepreneurship. In my

⁷ Zhang, Julyn. Interview by author. Tape recording. Beijing, October 12, 2016.

conversation with Arthur, I learned about Zhang Rui's motivations, aspirations and how he created such a successful company.

Zhang also attended Peking University, at a same time as Arthur, though Zhang is a few years older. He earned dual bachelor's degrees in law and economics, and then a Master's degree in financial law also from Peking University. After graduation, Zhang joined the investment bank Morgan Stanley; his post-graduation job was one of the best in his class. For five years, he worked at Morgan Stanley but, in 2006, he quit and started his own Internet business, Social Touch (时趣).

Zhang never cared that some people did not understand his ambitions; he voluntarily left a solid career in investment banking for an unknown future in a new industry. I think his entrepreneurial spirit best shows itself in that risky choice. Rather than become preoccupied with what society, parents or the government says one should do, Zhang and entrepreneurs like him are comfortable doing something new. The following section studies a more recent example of the entrepreneurial innovation shown by Zhang Rui.

The trait of creativity and innovation is best illustrated by China's newest and most active startups, bike-sharing companies. Though bicycles have been a huge part of life in China for centuries, not until 2015 did the Chinese bike-sharing industry start. This year, it emerged as one of the hottest parts of China's tech market. Bike-sharing companies, such as industry leaders Ofo and Mobike, are competing head-to-head in a costly competition to corner this niche market. They are both extremely creative: Ofo and Mobike⁸ allow users to unlock bikes with their phones, pay a small price for their trip, and leave the bikes

⁸ Each firm has a longer official name. Ofo's full name is Beijing Bikelock Technology Co. Mobike's full name is Beijing Mobike Technology Co.

wherever they want. Both firms custom-build all their machines, combining cutting-edge tech with sleek designs.⁹ These companies have found creative solutions to age-old problems, including reduced congestion, lower pollution and more exercise.

The two largest competitors, Ofo and Mobike, follow a similar model that emphasize certain unique traits. Since launching at Peking University in April 2014, Ofo has been more targeted at students. Its bright yellow bikes can now be found on over 200 college campus; the bikes cost 250 RMB (\$33) to produce and do not have built-in GPS. However, at only 1 RMB/hour, Ofo's bikes are half as expensive as Mobike's. Ofo locates its bikes via location-sharing on the smartphones of its riders. Riders are then sent a QR code to unlock the bike; the whole process takes under 10 seconds.¹⁰



Above: Ofo bikes (left) and Mobike bikes (right). Note the built-in locks and lack of bike racks.

On the other hand, Mobike first appeared in Shanghai in April 2016 and targets the white-collar market, who can better afford their bikes' built-in GPS and nearly 340 RMB (\$50) annual membership fee. They focus on high-end branding, with bikes that cost as

⁹ "25-Year-Old's \$500 Million Startup Fuels China Bike-Share Battle," *Bloomberg.com*, October 30, 2016, <https://www.bloomberg.com/news/articles/2016-10-30/uber-s-bruising-battle-in-china-is-being-refought-with-bicycles>.

¹⁰ "Chinese Startups Saddle Up for Bike-Sharing Battle," *Wall Street Journal*, October 25, 2016, sec. Tech, <http://www.wsj.com/articles/chinese-startups-saddle-up-for-bike-sharing-battle-1477392508>.

¹¹ "A Future Unicorn? The Rise of China's Bike Sharing Leader Ofo," *AllChinaTech*, October 20, 2016, http://pkunews.pku.edu.cn/xwzh/2016-03/04/content_292956.htm.

¹² Colum Murphy, "Q&A With Mobike Exec Michael Yao," *Sixth Tone*, December 28, 2016, <http://www.sixthtone.com/news/qa-mobike-exec-michael-yao>.

much as 3000 RMB (\$435) to build, and whose bright orange tires are instantly recognizable on city streets. Their biggest innovation is that, using the bike's GPS, Mobike's app provides a map of nearby bikes which a user can easily pick up. An alarm then alerts the service if the bike is moved without being unlocked. Each bike-sharing firm is acting innovatively in this intensely competitive industry.

Unsurprisingly, many government officials support these bike-sharing companies. Cities like Beijing, which has 5.65 million registered vehicles that annually pump 500,000 tons of pollutants into the atmosphere, are hoping that innovators like Ofo and Mobike can reduce at least some of the city's pollution.¹³ "We want to solve problems by getting bikes back on the streets of our cities," said Li Zekun, Ofo's 25-year old marketing director.¹⁴ By creatively addressing real problems, these bike-sharing startups are uniquely setting themselves apart to attract customers and investors.

Of course, the concept of bike-sharing is hardly new. There are 600 bike-sharing systems worldwide, in a market expected to generate as much as \$5.8 billion in revenue in 2020.¹⁵ Most systems, like Washington D.C.'s Bike Share or Paris' Velib, are run or set up by local governments, and have racks at precise locations for customers to drop off and pick up bikes. However, these programs have generally relied on government subsidies and corporate sponsorship, and most have yielded disappointing results in customer usage and profitability. Public programs like these exist in China, but the speed and scale with which these private startups are innovating is unprecedented.¹⁶ By disrupting the market so

¹³ Tom Phillips, "Bike-Sharing Revolution Aims to Put China Back on Two Wheels," *The Guardian*, December 27, 2016, sec. World news, <https://www.theguardian.com/world/2016/dec/28/bike-sharing-revolution-aims-to-put-china-back-on-two-wheels>.

¹⁴ *Ibid.*

¹⁵ "25-Year-Old's \$500 Million Startup Fuels China Bike-Share Battle."

¹⁶ Phillips, "Bike-Sharing Revolution Aims to Put China Back on Two Wheels."

rapidly, these bike-sharing firms “are trying to reverse a decline in cycling in China, which spent the last two decades promoting car ownership. China had 670 million bikes in 1995 but, in 2013, only had 370 million.”¹⁷ Clearly, there is an opportunity for a new, private disruptor to enter the bike-sharing market. In today’s China, if an entrepreneur can prove they have something that is unique and different, they can go far. The bike-sharing firms, led by Ofo and Mobike, are succeeding through a combination of innovation and creativity.

Doing what you love (3)

Creativity, passion, ambition and innovation are not enough to make an entrepreneur successful. Beyond these traits, present-day Chinese entrepreneurs want to do what they love as a means of finding success. Now that entrepreneurs have the ability to boldly innovate, they want more than money and fame. With their ambition to make a difference comes a risk-taking mentality that encourages giving up stable employment to pursue individual dreams. As David J. Davies suggests in *China’s Celebrity Entrepreneurs*, to many young Chinese, success is more than about wealth; it involves a ‘human path’ that includes the question of correct self-making. Today’s entrepreneurs are not all money-driven or focused on cornering a new market; they want to make a difference with their companies.¹⁸ Stanley Zhao is an excellent example of modern entrepreneurs’ focus on doing what they love and making a difference.

In my interview with Stanley, he told me of an old Confucian saying that “30 years old and therefore independent” (*san shi er li*, 三十而立). It means that, once you reach age

¹⁷ “25-Year-Old’s \$500 Million Startup Fuels China Bike-Share Battle.”

¹⁸ Davies, Edwards, and Jeffreys, “China’s Celebrity Entrepreneurs,” 197.

30, a man should know what he wants; he should stand on his own feet, get married and launch his career. In Stanley's mind, this saying has a different meaning. Now 31, he said his individualism, attitude on value and worldview started to form only gradually in the past few years. He has developed an understanding about the world and what he wants to pursue. This phrase, "understand what I want," is repeated by many of his peers, he said:

"The way I see it, understanding what you do want, also implies knowing what you don't want. In modern society, people often want way too many things, too much money, too big a reputation...If you want so much, you will pursue so much, which will likely lead you to more and more pain and suffering."¹⁹

Stanley's key point here is that you must understand what you want before you can find success doing it. He has a house in Dalian, a wife and a young child; he does not need to, as he put it, "naively pursue money or influence."²⁰ As he became more financially stable, he reexamined what he truly desired, which led him to entrepreneurship. In our conversation, he repeatedly said he aspired to become unique in a way that creates value. When he started Bilibili, he was not afraid of failure and, with his strong appetite for risk, he did not view many difficulties (困难) as setbacks (痛苦) at all. This attitude is a key feature of his entrepreneurial spirit. Thinking back on his biggest dream, he told me and how, "when I clearly understood what I wanted and what I did not want . . . I let go of my other desires/passions, and concentrated on pursuing what I hoped to get."²¹ His dream became to start and run a business where he could create a new brand, specifically a cultural brand, that resonates with young people.

Stanley's most salient point was that entrepreneurs should always remember what

¹⁹ Zhao, Stanley. Interview by author. WeChat transcript. Atlanta, October 25, 2016.

²⁰ Zhao, Stanley. Interview by author. WeChat transcript. Atlanta, October 25, 2016.

²¹ Zhao, Stanley. Interview by author. WeChat transcript. Atlanta, October 25, 2016.

is important to them. In his mind, any entrepreneur must emphasize the things they think are valuable. Having that kind of passionate drive for ambitious innovation and uniqueness can predict future and long-term success.²² As Stanley told me at the end of our interview, “as the [Chinese entrepreneurial] environment gets noisier, the more valuable your earnest and serious work will become.”²³ Through his entrepreneurial work with Bilibili, Stanley has moved towards the individuality he finds so important to his identity. His story shows how today’s entrepreneurs focus on more than wealth; they want to do what they love, even when it might take years to find that out.

With Stanley’s story in mind, Zhang Rui’s motivations for starting his company, Social Touch, become clearer. Like Stanley, Zhang shows the importance of entrepreneurs finding what they love and pursuing what they want. In Zhang’s case, that meant leaving a great job with Morgan Stanley to found Social Touch. In our conversation, Arthur described Zhang as the first person he knew from college who started a proper business. Zhang’s decision was a surprise to many of his peers, including Arthur, who said:

“He [Zhang] graduated from law school and then he got a job that 99% of people who fall for and not want to quit. Then he gave up everything and started his own business. It was kind of a shock to me.”²⁴

If Zhang had such a well-planned future, why did he give up everything and start his own business? With such a good job in investment banking, what motivated him? In his answer, Arthur described a conversation with Zhang after the founding of Social Touch, when Arthur asked him why and how he chose the path of an entrepreneur. Zhang “basically said

²² Stanley did acknowledge that, as China’s entrepreneurial landscape has grown hotter, not every entrepreneur has good attitudes or positive intentions. Some entrepreneurs still take advantage of clients and investors, securing financing then disappearing.

²³ Zhao, Stanley. Interview by author. WeChat transcript. Atlanta, October 25, 2016.

²⁴ Chen, Arthur. Interview by author. Tape recording. Atlanta, November 9, 2016.

that, you know, that's how I grew up and everyone else was doing the same, maybe starting up a more traditional business [such as in] trading or manufacturing."²⁵ Going even further, he told Arthur that "no one in my hometown would want to work for someone else. Everyone wants to become his or her own boss."²⁶ For this point, geographic origin is a crucial link.

Zhang is a native of Shantou, Guangzhou, in Southern China. His hometown is the economic center of East Guangzhou, one of the most densely populated regions in China, and the site of a free trade zone established by the Chinese government in 1993.²⁷ As shown in Chapter 2, residents of Southern China are typically found to be more entrepreneurial, bigger risk-takers and more receptive to outside ideas. Thus, Zhang's hometown and the surrounding area would have been much more entrepreneurial, giving him early exposure to entrepreneurship as a reputable choice. Therefore, one can infer that Zhang's background in Shantou, education at Beida and work experiences generated his motivations to pursue entrepreneurship. Zhang is still passionate about entrepreneurship; he remains CEO of Social Touch which, ten years after its founding, now employs 800 people in Beijing, Shanghai and Guangzhou, and is exploring an eventual public offering (IPO). Zhang Rui clearly found that entrepreneurship was his ideal career path. As a result, he became passionate about entrepreneurship and ambitiously pursued it.

Similar to Zhang Rui's motivations for entrepreneurship, in the case of the bike sharing firms, Ofo and Mobike's origins reflect differences in their founders' passions. Ofo

²⁵ Chen, Arthur. Interview by author. Tape recording. Atlanta, November 9, 2016.

²⁶ Chen, Arthur. Interview by author. Tape recording. Atlanta, November 9, 2016.

²⁷ Shantou's free trade zone was the sixth created in Guangdong province, which was a hub of early economic experimentation in the reform era.

was founded in April 2014 by Dai Wei, a 25-year old Peking University PhD dropout. He and four friends originally planned to start a cycling tourism firm, then turned that company into Ofo. Little public information is available on Ofo's origins, yet, after its latest \$450 million fundraising round was announced on March 1, 2017, the firm has now been valued at over \$1 billion. On the other hand, Mobike was founded by Hu Weiwei, a 34-year old former journalist, in late 2015. Though much younger, Mobike benefited from some early good fortune. Hu brought in as Chief Executive and a co-founder, Wang Xiaofeng, a former Uber China general manager who oversaw the firm's operations in Shanghai, and his considerable entrepreneurial experience. After Didi Chuxing acquired Uber China in mid-2016, Mr. Wang moved on to a new challenge. The comparison here is interesting. Mr. Dai left school to pursue his dream while Mr. Hu had a previous career before turning to entrepreneurship. This contrast shows how each entrepreneur, despite running similar companies, took different routes before finding entrepreneurship as their ideal career path.

Having the Support of BAT (4)

To find success in modern entrepreneurship, the support of BAT is essential. While individual entrepreneurs do not seek to imitate the BAT, most are receptive to financial backing or creative support from the BAT. With BAT's deep pockets and commanding market share in search (Baidu), e-commerce (Alibaba) and social media (Tencent), the BAT has far-reaching influence in many aspects of China's tech economy. Recently, BAT has emerged as the dominant player in acquisitions of Chinese startups. This trend has made

support from BAT essential for many growing startups.²⁸ Still, while BAT offers lucrative acquisition opportunities, they can also crush innovative startups.²⁹

Regardless of their perceptions or motivations, recent financial data supports the notion of BAT as kingmakers for Chinese startups. From January 2013 to April 2016, BAT combined to invest \$75 billion in hundreds of strategic partners.³⁰ Oftentimes, Baidu, Alibaba and/or Tencent will each back a different rival in the same industry, then compete to win market share. For example, each BAT firm invested in a market leader for on-demand food delivery services. Alibaba invested in Meituan.com., Tencent in Dianping Holdings and Baidu in its own service, Baidu Waimai.³¹ These competitions demonstrate why BAT's support is so important in present-day China.

The emerging bike-sharing competition is now positioned as BAT's next battleground. In China, a common expression is that early success can depend on whether you "find a big tree to lean on." One should find support and mentorship early on, which Ofo and Mobike both benefited from. After founding Ofo in 2015, the soft-spoken Dai secured early funding from Didi backers Wang Gang and Allen Zhu. The tutelage of Mr. Gang gave Ofo financial support and access to Didi's network of investors.³² By September 2016, Ofo won \$100 million in funding from backers including Xiaomi and Didi Chuxing.

²⁸ Yuan, "Kingmakers of China's Internet."

²⁹ BAT's leaders recognize this perception and are fighting it. In recent public statements, Alibaba and Baidu reiterated their commitment to investing in startups that complement their business strategies, rather than stifling innovation or creativity, or eliminating competitors.

³⁰ Bien Perez, "BAT Lead Charge in China Mergers and Show No Sign of Slowing down," *South China Morning Post*, April 7, 2016, <http://www.scmp.com/business/companies/article/1934083/bat-baidu-alibaba-and-tencent-lead-charge-china-mergers-and-show>.

³¹ Yuan, "Kingmakers of China's Internet."

³² "25-Year-Old's \$500 Million Startup Fuels China Bike-Share Battle."

Very rapidly, a competition developed between the BAT firms. When Didi invested in Ofo, Mobike had only attracted around \$110 million in funding. Then, in October 2016, Tencent jumped in to back Mobike with a \$215 million funding round. Securing investment from Tencent, now the largest company in Asia, was perfectly timed for Mobike. As founder Hu Weiwei said, “the fact that Tencent is investing in us shows that we share the same philosophy about products and technology.”³³ With over 800 million users, Tencent’s WeChat app, which already integrates services like Didi’s ride-hailing and Alibaba’s Alipay platform, offers Mobike a potentially massive customer base. Having missed out on backing Ofo or Mobike, Alibaba recently joined the competition, announcing a partnership in late 2016 with startup Qibei to launch 100,000 bikes in Hangzhou. Most analysts predict these firms will inevitably end up merging at some point, reducing the industry to a few competitive companies.³⁴ For now, each backed by a Chinese tech giant, Ofo and Mobike are being positioned as China’s next tech battle.³⁵

The future competition will be fierce, as both companies expand and more investors get involved. In January 2017, TechInAsia.com ranked the bike-sharing battle between Ofo and Mobike as the top startups to watch in 2017.³⁶ In the size of their bike fleets, Ofo and Mobike already challenge established city-run programs. Mobike has more than 30,000 bikes in Beijing, Shanghai, Guangzhou and Shenzhen. By end of 2017, Mobike aims to have

³³ Ibid.

³⁴ Wang Lianzhang, “Companies, Investors Pouring Into China’s Bike-Sharing Market,” *Sixth Tone*, December 12, 2016, <http://www.sixthtone.com/news/shanghai%E2%80%99s-oldest-bicycle-brand-enters-bike-sharing-fray>.

³⁵ The bike-sharing has grown even more competitive. Newer startups include Shanghai’s Xiaoming (lower fee from referring friends), and Shenzhen’s Bluegogo (planning 200,000 bikes in 15 cities each). Other competitors include Ubike, Forever and Hell-bike. These competitors also show the importance of innovation in bike-sharing, where barriers to entry and startup costs are still low.

³⁶ “These 9 Chinese Startups Are Poised to Grab 2017 by the Horns,” *Tech in Asia*, January 19, 2017, <https://www.techinasia.com/watch-out-for-chinese-startups-2017>.

100,000 bikes in each city, before expanding to other cities. By comparison, Ofo has more than 85,000 bikes, mostly on university campuses, and recently expanded to the U.S., U.K. and Singapore.³⁷ For comparison, Hangzhou's city-run bike program, the largest in the world, has 84,000 bikes.³⁸ Meanwhile, "Tencent and Didi each picking a different winner makes the competition much more unpredictable and interesting," said Cao Yang, a Beijing-based analyst at internet consultant IResearch."³⁹ Driven by their rapid success and backing from the BAT, these bike-sharing companies are ever-ambitious as they keep innovating. Going beyond the individual attributes of entrepreneurs, the next section reinforces why the growth of entrepreneurship shows strengthened Chinese individualism.

Going Against your Parents' Wishes (5)

Having identified the five traits that define all modern Chinese entrepreneurs, I have shown that China's newest entrepreneurs ambitiously seek out innovation. Additionally, while certain societal obstacles still stand in the way of entrepreneurship, modern entrepreneurs have a stronger individualism that enables them to overcome these obstacles. This section will consider the example of how almost all entrepreneurs go against their parents' wishes in starting own companies. The story of Julyn and her husband shows the realization of entrepreneurs' individualism and self-identity. By opposing their parents' wishes, modern Chinese entrepreneurs demonstrate a stronger individualism and entrepreneurial self-identity.

³⁷ "25-Year-Old's \$500 Million Startup Fuels China Bike-Share Battle."

³⁸ "Chinese Startups Saddle Up for Bike-Sharing Battle."

³⁹ "25-Year-Old's \$500 Million Startup Fuels China Bike-Share Battle."

Relations between Chinese parents and children have traditionally been marked by respect and obedience. From the start of the reform era in 1978, when someone wanted to start a new business, the opinions of their family members were very important; if parents opposed them, most would-be entrepreneurs would likely abandon this endeavor. Though pre-2000s entrepreneurs rarely started a business without their parents' approval, as China's economy prospered and its society became more individualistic in the 1990s, many parents grew more accepting of their children's decisions. As the younger generation gained stronger individualism, they more frequently pursued entrepreneurship.⁴⁰

By the 2000s, young Chinese people typically saw three career paths in business: work for SOE or government, work for BAT, or start a business. Additionally, in present-day China, harmony between family members remains extremely important and often supersedes individual preferences. With regards to pursuing entrepreneurship, many modern-day aspiring entrepreneurs still face opposition from their parents. My interviews with Julyn Zhang and her husband illustrate these points, showing how and why their parents have had different views on entrepreneurship.

Most Chinese parents still view working for the SOE or government as a more stable, desirable path. When their children become entrepreneurs, Julyn said, many parents "think you are being risky, and risking the money of the family, and risking your future, so most of them cannot accept this."⁴¹ However, Julyn explained that young people care how others perceive them, but:

"Even if our parents care, we should sometimes listen to them, but we really care about those people who affect our lives, or who we can compare ourselves to."⁴²

⁴⁰ Rajiv Shah, *Innovation, Entrepreneurship, and the Economy in the US, China, and India*, 204.

⁴¹ Zhang, Julyn. Interview by author. Tape recording. Atlanta, November 13, 2016.

⁴² Zhang, Julyn. Interview by author. Tape recording. Atlanta, November 13, 2016.

Though she said her peers rarely listened to their parents, I wondered if she knew people who abandoned starting a business due to their parents' opposition. She said, of course she did; none of her peers are perfect kids (*guai haizi*, 乖孩子), yet they must all "take some risks and sometimes go against [their] parents' wishes,"⁴³ Even after China became so economically vibrant, the parents of young entrepreneurs almost unanimously oppose their endeavors. Here, Julyn paused before delivering her most key point: "Going against your parents' wishes lies at the heart of Chinese individuality!"⁴⁴ This quote reinforces how the individualism of modern entrepreneurs motivates their ambitions. I examined this point more closely by learning about Julyn's and her husband's experiences with entrepreneurship.

A few years ago, Julyn's husband went into business with another Beida alum and a few other friends as co-partners. Their idea was to launch a cloud-based networking company targeted at food delivery services. At the time, Julyn's husband was working for Huawei, the Chinese smartphone giant. He had already secured funding⁴⁵ from some venture capitalists, friends and family members when something interesting happened: his parents asked Julyn to convince him not to start his own business! In their mind, Julyn and he first needed to hold solid jobs, buy a house and have kids. If he risked his stable job with no guarantee of success, he would jeopardize all the dreams his parents had for him.

⁴³ Zhang, Julyn. Interview by author. Tape recording. Beijing, October 12, 2016.

⁴⁴ Zhang, Julyn. Interview by author. Tape recording. Beijing, October 12, 2016.

⁴⁵ Julyn's husband stressed the importance of getting a venture capital loan for starting a company. Then, depending on your family's wealth, turn to them and to friends for the remaining funding. Most of all, as an entrepreneur, do not trust banks!

In contrast, Julyn's parents were much more hands-off. They had been sent to the countryside during Mao's Cultural Revolution and, after returning home, became farmers and worked every day to make their own money. They worked hard for what they had, never dreaming of entrepreneurship or high education. From an early age, though, they trusted Julyn to make her judgments on her own. At the same time, her parents taught her to always take responsibility for her decisions. Though neither of her parents knew much about law or business, they trusted her early on with her own choices.

Julyn and her husband have parents with completely different attitudes towards entrepreneurship because, she suggested, her parents and her husband's parents have different work experiences and lived totally different lives. Julyn's parents' past career in farming/SOE work shaped their attitudes towards her individualism and career choices. When she was admitted to Beida, her father told her he could not have a fair judgment on her situation because "I don't know your world, I don't know what's going on out there, I know nothing about business."⁴⁶ Julyn's experiences gave her parents more reasons to trust her and allow her to act independently. In college, she taught English part-time to provide for her expenses, textbooks and housing. At the time, she told me, English classes were extremely popular and "great money." This meant she had earned money to support herself; therefore, after she graduated college, her parents remained hands-off with her.

Julyn's husband's parents are quite different. They worked for an SOE until it was broken up during the reform era about 30 years ago. Afterwards, they were forced to start their own small companies, while keeping certain benefits from the SOE. Because of their

⁴⁶ Zhang, Julyn. Interview by author. Tape recording. Atlanta, November 13, 2016.

work experience, his parents believed that they could make judgments and decisions on his choices. As a result, his parents taught him that:

“It will take more energy and you have to spend much more of yourself towards your own business if you choose that way to make money.”⁴⁷

In essence, his parents experienced unstable employment after the SOE broke up and did not want their son to experience the same. When they tried to convince him not to start a company, they told him how, now that they had spent so much on his education, “you shouldn’t live like us before, because we haven’t received much education.”⁴⁸ Basically, their experience in the industrial world with the SOE motivated them to give their well-educated son what they think is the right direction.

Julyn went further, saying matter-of-factly that “my parents in law have more money and have experienced more, so they think they know more than you.”⁴⁹ Later, they even tried to fund their son’s startup, though he refused. On this last point, they are extremely different from Julyn’s father. He never believed he had the ability to make a judgment on her career, so he never did; Julyn also showed she could succeed independently from an early age. Her husband’s parents, based on their experiences, still think their son should avoid the unstable employment which they believe entrepreneurship represents.

This section shows how important the background and experiences of one’s parents are for determining their acceptance of entrepreneurship. In general, parents who have worked for an SOE or the government are less supportive of entrepreneurs. This finding

⁴⁷ Zhang, Julyn. Interview by author. Tape recording. Atlanta, November 13, 2016.

⁴⁸ Zhang, Julyn. Interview by author. Tape recording. Atlanta, November 13, 2016.

⁴⁹ Zhang, Julyn. Interview by author. Tape recording. Atlanta, November 13, 2016.

confirms the results of the studies in Chapter 2. Here, one must understand that the generation of the parents of Julyn and her husband lived with uncertainty for decades. Parents of many young businesspeople are now 50-70 years old; they lived during a time when operating your own business carried immense risks and could cost you everything.⁵⁰ Additionally, this section reveals that, by pursuing entrepreneurship irrespective of their parents' opposition, modern-day entrepreneurs show a stronger sense of individualism.

Conclusion: A Look Forward

This chapter showed the five common traits of China's modern entrepreneurs. They are all creative and passionate, and are driven by an ambition for innovation. More than just making money and becoming successful, they value doing what they love. All around China, entrepreneurs are creating unique companies, often with the support of BAT; the many bike-sharing startups are a great example of this trend.⁵¹ Finally, today's entrepreneurs often go against their parents' wishes. Despite the many challenges, countless Chinese people are charting their own path by ambitiously innovating and finding great success. Pursuing entrepreneurship despite objections from their parents demonstrates entrepreneurs' stronger individualism. In fact, doing so seems to strengthen their risk-taking and resolve. Nowadays, there are few differences between Chinese graduates who go to work for the SOEs, government or BAT; all are highly motivated and each career

⁵⁰ As a contrast, I asked Julyn how much freedom she would give her children to pursue their own careers. She said she was unsure, but "definitely won't act like our parents did in terms of trying to restrict what they can and should venture into career-wise."

⁵¹ Bike-sharing companies also show how fast Chinese startups are growing. In late February 2017, two years after its launch, Ofo raised \$450 million, valuing the company at more than \$1 billion.

offers a high degree of stability. However, entrepreneurs tend to leave or reject stable employment, showing the traits listed above.

The five characteristics of present-day entrepreneurs discussed in this chapter demonstrate the core dynamics of modern Chinese entrepreneurship. After the government created the environment for entrepreneurship, society became more accepting of entrepreneurs while their individualism strengthened, and the success of China's largest homegrown firms (BAT) created a prototype for success. Today, Chinese entrepreneurs are more ambitious than ever and seek success in new ways, which has created a thriving entrepreneurial space in China, with significant progress still to come.

Conclusion

This paper has demonstrated the changing perceptions, attributes and individualism of entrepreneurs in modern China. Though entrepreneurship and private businesses conflicted with the Confucian foundations of traditional Chinese society, entrepreneurs were a relatively prominent and successful group before the Communist Revolution in 1949. During the Maoist era (1949-1978), entrepreneurs were suppressed by the State, which banned all manner of public enterprises. However, the reform era begun in 1978 jumpstarted economic development and created the environment for entrepreneurship. Deng Xiaoping's 1992 Southern Tour was particularly helpful in promoting reforms, including the privatization of state-owned enterprises, and further support for entrepreneurship. Nonetheless, research by Hsu and Yueh shows that pre-2000s entrepreneurs were oftentimes lowly *getihu* or government-backed cadres, neither of whom showed strong individualism nor common traits of most modern entrepreneurs.

By the early 2000s, entrepreneurs had become a prominent group while the State legalized entrepreneurship. Entrepreneurs exhibited a stronger individualist, rather than collectivist, mentality, showing the growing individualization of Chinese society. Entrepreneurs attained higher levels of *suzhi* (quality) and became increasingly desirable. However, while entrepreneurs as a group were successful, the degree to which individual entrepreneurs were admired is subject to debate. My interview with Arthur Chen showed that well-educated graduates of Peking University still leaned away from entrepreneurship in favor of stable jobs with the government or a state-owned enterprise. While entrepreneurship was more common by the mid-2000s, it remained an undesirable profession among many due to the lack of model Chinese entrepreneurs.

The rise of the BAT firms in the past 10-15 years created the prototype for modern Chinese entrepreneurs' self-identity. These firms (Baidu, Alibaba, Tencent), and their charismatic leaders, demonstrate through their success, mass literature and public image that entrepreneurship is a desirable goal in present-day China. The leaders of these firms, especially Alibaba's Jack Ma, teach others how to find success, which has pushed thousands more people to pursue entrepreneurship. Nowadays, modern Chinese entrepreneurs seek to follow the prototype which BAT and their leaders have come to embody.

The modern Chinese entrepreneur can be defined by five common traits: ambitious passion, creative innovations, doing what they love, having support of the BAT and going against their parents' wishes. My interviews with Arthur Chen and Julyn Zhang added context to the emerging trends in Chinese entrepreneurship. More specifically, the stories of Zhang Rui and Stanley Zhao show the differing paths many entrepreneurs take to find success. Furthermore, the bike-sharing firms demonstrate the dynamic nature of modern Chinese entrepreneurship, especially how fast many of these companies grow, how important innovative techniques are in competition, and what role BAT has come to play. Finally, by more commonly going against their parents' wishes, entrepreneurs show a strengthened individualism which has motivated many of them to pursue their ambitions.

This study has added to the general understanding of entrepreneurship and individualism in several important ways. I have better defined the perceptions of entrepreneurs over the past four decades of China's history. Whereas entrepreneurs were suppressed in the Maoist era and undesirable in the early reform years, by the 1990s, they became a common and well-viewed group. In the 2000s, individual entrepreneurs attained high levels of prestige and, nowadays, becoming an entrepreneur is perceived very

favorably. While attitudes towards entrepreneurs changed, different groups began to pursue entrepreneurship. Before 2000, most entrepreneurs were lowly *getihu* or were government-backed. By the mid-2000s, well-educated college graduates were more comfortable giving up a stable government or SOE job in favor of becoming an entrepreneur. As entrepreneurs gained greater ability to pursue their dreams, the number and diversity of Chinese entrepreneurs has continued to grow.

The change in who pursued entrepreneurship complements the evolution of *suzhi* as a dimension of Chinese society. Individuals with high *suzhi*, like Peking University graduates, rarely chose entrepreneurship until the mid-2000s. By then, entrepreneurs had gained a higher level of *suzhi*, in part through the success of the BAT. Nowadays, well-educated Chinese people are more commonly choosing to become entrepreneurs. Additionally, modern entrepreneurs are more driven by opportunity, whereas pre-2000s entrepreneurs frequently chose that path out of necessity. As my interviews highlight, today's Chinese entrepreneurs want to be different, are innovative and ambitious, and they want to change the world. Finally, I have contributed some of the first English-language research on the important role of BAT in China. These firms and their leaders form the prototype of modern Chinese entrepreneurs' self-identities. Additionally, in the present day, the BAT operate as crucial supporters of innovation, through financial backing and acquisitions, as the cases of bike-sharing companies and food-delivery services demonstrate. Nowadays, the BAT have become quasi-incubators for other entrepreneurs, who are encouraged to leave BAT in order to found their own companies.

Despite my extensive research, there are several limitations to my study's findings. Most noticeably, my study was limited to well-educated people with the means to choose

their own careers. By interviewing mostly alums of Peking University, I focused on individuals of high *suzhi* and ambitious career aspirations. I believe my findings show a generalizable trend that entrepreneurship has become more desirable and prestigious, while the common traits of modern entrepreneurs are now better defined. I believe this trend is applicable to other groups of well-educated Chinese people. However, further research is needed to examine the existence of this trend in other groups, such as those lacking college degrees or living in rural areas.

Additionally, my study was limited by my distance from my test subjects. With a longer stay in China, where I could have had more lengthy interviews and more interview subjects, I could have found more specific or generalizable trends. Nonetheless, my material presented here does reveal several trends among modern Chinese entrepreneurs.

Where could further research go from here? While my research complements existing research on the shift from collectivism to individualism in Chinese society, more research is needed on how much individualism actually influences individual entrepreneurs. The importance of relationships (*guanxi*, 关系) is another field of further research; my study focused on the attributes and motivations of entrepreneurs, yet I recognize the importance of *guanxi* for business success in China.¹ Another area of interest is a wider survey to examine the CCP's role in promoting individual entrepreneurs' success. As mentioned in Chapter 3, Baidu and Alibaba are viewed differently by the public in part because Baidu is perceived to follow government policies on censorship and is closer linked with the CCP in general.

¹ Mayfair Yang's 1994 book *Gifts, Favors and Banquets: The Art of Social Relationships in China* is considered the most detailed discussion of *guanxi*.

An additional case study could examine government-entrepreneur conflicts as shown by the relationship between the Chinese government and Didi Chuxing, China's ride-hailing giant. In my research, I found that Didi has become a quasi-BAT through its success and now dominates China's ride-hailing market after buying out Uber China for \$34 billion in mid-2016. However, Didi has recently been subject to seemingly random government policies, like restrictions of vehicle age and make, and even on the drivers' residence permits (*hukou*, 户口). In Shanghai, one of Didi's largest markets, these rules would eliminate 80% of Didi's drivers! These new rules may seem absurd until one finds out that Chinese taxi companies, in direct competition with Didi's ride-hailing service, are in fact SOEs. This dynamic suggests the government may have embraced entrepreneurship, but will only allow it to go so far before reigning in these firms.

Regardless of their future progress, entrepreneurs in modern-day China are a fascinating group worthy of considerable study. Completely banned just 40 years ago, and formally legalized less than two decades ago, entrepreneurs have risen to the highest ranks of China's economy and have become modern heroes to countless other people. In their dynamic nature and passionate innovation, these entrepreneurs, and especially the BAT, show the vast potential for China's continued development. I hope my study has contributed much to this interesting subject and I look forward to seeing where China's future generations of entrepreneurs take their next steps.

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