

CHINESE ENTREPRENEURS IN SMALL AND MEDIUM ENTERPRISES (SMES)– AN EMIC VIEW

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ABSTRACT

In-depth personal interviews are conducted with nine Chinese entrepreneurs. They are located in three different geographical regions from coastal to interior. Their businesses span eight sectors from clothing to industrial automation. This article focuses on their motivations to start new businesses, and introduces their educational and working background as well. The interview results show that eight out of nine entrepreneurs resigned from their stable or even enviable positions to pursue their personal dreams - from creating own brand in men's suits to commercializing research findings from own PhD dissertation in industrial automation. The research findings have some important implications on engineering education, female entrepreneurship, and forms of business ownership for SMEs.

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KEYWORDS: Chinese Small and Medium Enterprises (SMEs), Chinese Entrepreneur

INTRODUCTION

The increasing importance of Small and Medium Enterprises (SMEs) is a global phenomenon brought about by market forces, technological advances, personal career aspirations and underlying demographic changes in the population. In the Organization for Economic Cooperation and Development countries, SMEs account for 95 percent of the enterprises and 60 to 70 percent of the employment. The transformation of the economy in China is also relying on the role of entrepreneurship and the development of a strong SMEs sector. SMEs are drivers of employment, innovation, exports and gross domestic product. Despite the importance of SMEs to the economies worldwide and their resilience to economic downturns, there has been a shortage of data concerning SMEs which is partly attributable to the fact that it is a very challenging area for researchers (Curran & Blackburn, 2001). Country differences including those in relation to the role of government and other independent bodies such as banks impact the establishment and growth of SMEs (Uhlener, Wright & Huse, 2007). It is also extremely challenging for researchers to undertake research in China due to language and cultural barriers. This research project intends to contribute to the body of knowledge on SMEs with this exploratory research on SMEs in China.

SMEs provide investment opportunities and attract the attention of policy makers to foster growth and increase resilience in national economies. This is also the case in China where SMEs are significant contributors to economic growth, employment creation, exports and technology innovations (Chen, 2006). While an increasing amount of research is being undertaken on SMEs in China (Cunningham & Rowley, 2010) focusing on finance, marketing and ownership, there is a gap in relation to entrepreneurial motivation and background. The goal of this research is to contribute to the body of knowledge on SMEs by undertaking in-depth interviews with entrepreneurs in the changing economy of China. The specific scope of the study includes the motivation of the Chinese entrepreneur to start a business and the ownership forms of the Chinese SMEs. In accordance with best practice guidelines for this type of research, the investigators conduct interviews in China as an exploratory and descriptive research project. The principal investigator is originally from China and connects with two potential subjects (his high school classmate and university

classmate). These two potential subjects are successful entrepreneurs in SMEs. Other seven subjects are recommended by his friends. It is a convenience sample but due to the high degree of trust between the researcher and the subjects it yields valuable insights. The shortcomings of this type of non-probability design and the limitations are disclosed.

LITERATURE REVIEW

The historical development of SMEs in China is explored from a policy making perspective in “Development of Chinese small and medium-sized enterprises” (Chen, 2006) and is summarized in three phases: 1978 to 1992 – expansion in number and scale; 1992 to 2002 reform of state owned SMEs and development of the non-public sector; and 2002 onwards with the implementation of the SME promotion law to improve the policy environment for SMEs aimed at optimisation of the industrial structure and enhancing the quality and competitiveness of the enterprises. By 2003, China had established more than 100 high tech incubators, 20 enterprise parks for returning overseas students and over 40 service centres for SME technology innovations (Chen 2006, p.141). Taxation policy provides exemptions and preferential rates and fiscal policy provides encouragement for technology innovation including emphasis on high-tech agricultural activities. Financing the start-up and expansion of businesses in China is discussed in The Economist article, “Let a million flowers bloom; Entrepreneurship in China” (March 12, 2011). Loans to SMEs comprise less than 4% of total loans made by the largest banks in China and 57% of the enterprises in Wenzhou have borrowings outside the conventional banking system. In part this has been encouraged by the credit guarantee system of the Peoples Bank of China described in the Chen (2006) article.

In examining entrepreneurial strategy in small textile manufacturing firms the results show that development and maintenance of network ties, attention to customers and innovation are three factors critical to successful entrepreneurial activity (Kotey, Sharma and Gao, 2013). They also emphasise the strong connection between planning and small business success. In exploring the relationship between market and legal institutions and entrepreneurial investment in China’s transition economy, Zhou (2010) concluded that political connections substitute rather than complement the market and legal environment. Such political connections are able to protect property rights and provide more security enabling higher reinvestment rates in the small firms that have these connections. In the study of small Chinese high-technology firms, stronger networks and more social contacts provide the entrepreneurs with more information and greater capacity to recognize opportunity (Siu & Bao, 2008). Resource allocation to the non-market activities of gift giving, banquets, and donations are essential to building the personal networks to mitigate the impact of governmental and non-market decisions on entrepreneurial businesses (Tang & Tang, 2010). Further, motivation and willingness to grow and expand are constrained by the unpredictable environment (Busenitz & Lau, 2001). In the article “Chinese entrepreneurship and small business development: an overview and research agenda” (2006), Li and Matlay called for research adding quality and depth to the understanding of the growth and development of Chinese entrepreneurship (p. 260). This research is aimed at contributing to that understanding and to an exploration of entrepreneurial motivation. The research objectives are described in the next section.

DATA AND METHODOLOGY

The following research questions (RQ) are formulated to gain a greater understanding of Chinese entrepreneurs and their role in SMEs and in the whole economy.

- RQ1 What motivates entrepreneurs in China to take on the challenge of SMEs in a changing economy?
- RQ2 What are their backgrounds in age, gender, education and work history?
- RQ3 What forms of ownership do Chinese entrepreneurs prefer?
- RQ4 What is the future outlook for these SMEs?

Qualitative research design using in-depth interviews is holistic. It begins with a search for understanding the whole (Denzin & Lincoln, 2006) and is therefore selected as the appropriate basis for this research. The interview questions are formulated to allow for disclosure and discussion of motivations of entrepreneurs, their backgrounds, preferred forms of ownership, and the outlook of the business. To explore the above research questions, primary data are collected using the structured interview research technique. Componential and content analysis is used to analyze the data; and the findings are organized to address the research questions. The advantages of using the case study method include its sensitivity to the cultural context of secrecy and the keeping of a low profile normally adopted by owner-managers in China (Siu & Bao, 2008). Obstacles in data gathering include the fact that asking questions is frequently viewed with suspicion and the importance of connections and trust, hinder academic research in SMEs in China (Cunningham & Rowley, 2010). Therefore this research utilizes a convenience sample in which trust is already established with a long-term relationship between the academic researcher and the participants either directly or indirectly. This approach is adopted to gather an emic view of entrepreneurs in China. This is a rare view since trust, cultural sensitivity, and language differences normally provide barriers to data gathering and data integrity. Summary data from the interviews with nine entrepreneurs follows.

Entrepreneur A

Mr. A grew up in a poor family in a rural area. He did not finish his high school due to financial difficulty. As a teenager, he took his father's advice – "learn some useful trades so that you can make living in the future". He was apprenticed to a tailor and the pair carried their sewing machines to serve local families from door to door. He was smart and hardworking. After four years, he learned skills and was able to work independently. However, he was not satisfied with the work in the local area: same simple style of clothing for almost every one and serving people from house to house. In 1985, a clothing factory in a neighboring city wanted to recruit a skilled tailor. Mr. A applied and was hired. He gradually moved up to the chief tailor's position in the factory of more than three hundred employees. The life was good but he felt something was missing. After deep personal reflection, he realized that he was somewhat bored with the mass production and his real interest was in customized clothing design. It was simple - he needed freedom to do whatever he liked to do without restrictions. Then the only solution would be to have his own business. In 1991, Mr. A decided to leave the factory and start his own business.

His goal was to create his own brand of men's western-style suits. At the beginning, he had a small group of three people including himself. Just like any other start-ups, he faced many difficulties in financing, marketing, designing, technology, and other areas. After eight years of persistent effort, he established his own factory and retail stores in more than a dozen of cities. In his retail stores, sample suits are on display; a variety of materials are available for customers to choose; more importantly, knowledgeable service personnel advise each customer on the style based on his preference, figure, age, education background, occupation, wearing habit, and other factors. They also accommodate any particular needs of their customers. The measurements are taken and immediately sent to the factory. The try-on and final adjustments are made at each retail store. An order can be completed in a week or less. Today Mr. A is still the sole owner of the business and has more than one hundred employees. His business is steadily growing and has no financial problems. Their current focus is on forecasting the changing trend and acquiring the specialized equipment.

Entrepreneur B

Mr. B graduated with a bachelor degree in mechanical engineering and was immediately hired after graduation by an affiliated teaching factory to a technical school. However, it did not take long for Mr. B to realize that this job did not make any financial sense to him: his monthly salary was about 400 yuans per month, but he spent 16 yuans and two hours to commute for each working day. His wife did not have a job and they had a new born baby in the first year working for the factory. After staying there for less

than two years, he resigned. Mr. B and his brother started their own business. They bought a machine tool and manufactured parts for other small factories. Unfortunately, it was difficult for them to secure enough orders to survive. This brotherly partnership only lasted for less than a year. At that time, their second child was born, which was a violation of the government's "one child family" policy. The consequences of this action are severe such that it would be very unlikely that any employers would be willing to hire him. The only way for Mr. B to make living was to be his own boss.

In exchanging information with former classmates, Mr. B noticed that contractors and project managers in construction were in high demand. He decided to say good-bye to his mechanical engineering and to become a contractor in the construction industry. Luckily, he successfully bid a project within a short time, recruited workers, and completed the work in time and within the budget. That was the first time he made good money in his working life. In four years as a contractor, he saved enough money for his future adventure; more importantly, he spotted a promising business opportunity – making a non-traditional type of bricks. Traditionally, bricks were made from clay. However, in one project contracted to Mr. B, bricks made from coal cinders were used. Mr. B was curious about this type of brick and spent a lot of time and effort researching relevant literature. From the learning process of the new material, he understood the inevitable change in the brick industry in the future. Firstly, the massive use of clay to make bricks is not sustainable in China because of its very limited agricultural land per capita; secondly, making clay bricks consumes large amount of coal and consequently pollutes the environment. This was the reason why the cinder bricks were called "environmentally friendly bricks" (EFBs) in China. He also believed that the quality of EFBs could be significantly improved by adding other ingredients.

Mr. B moved back to his hometown and started an EFB factory in 2009. That was a good timing – the provincial government was requiring industries to reduce the CO₂ emissions. Therefore the approval of his business was not an issue. He also experimented with different mixes of coal cinders and other materials and as he wanted to have top quality products to compete in this new market. Experiencing many ups and downs, Mr. B and his two partners were determined to carry on despite the many difficulties facing them. He felt a sense of satisfaction to have established the business and have finally achieved a strong business. Now they have more than 100 employees and many of them appreciated the opportunities of their employment. Mr. B was proud of his contributions to the society. They plan to expand from the one production line currently operating to two production lines whenever financing at a reasonable cost becomes available.

Entrepreneur C

Mr. C received his bachelor's degree in textile engineering in 1996. After graduation he worked as an engineer for a state owned company and then as a public servant for a government agency. While the work was easy on these two jobs, he kept thinking he should do something when he was still young and energetic; otherwise he would feel that the four years he spent at the university were wasted. At that time, many state owned enterprises (SOE) were facing bankruptcy due to their own mismanagement and the country's centralized planning system. It was impossible for governments to bail all of them out and therefore the only option was to privatize or reform some of them. In 2000 a textile factory in a neighboring province was in financial distress. They wanted to outsource the management team on a contract basis. Mr. C and a few of his friends successfully won the contract. The deal was that Mr. C's team was appointed to manage the factory with full authority and responsibility. Financially, the management team must contribute 2.5 million yuan to the state each year and they can keep the rest of profits. In the previous year the factory lost several million yuan. In the first year under the new management, the state received 2.8 million yuan from the factory and the management team members made significant profit. In addition, these young people gained valuable management experience in learning by doing.

In 2004, Mr. C heard that an SOE in his hometown went bankrupt. All employees left the factory and all fixed assets were stolen including the doors and windows in the building. The local government called for purchase of the factory by private entrepreneurs. Mr. C knew the area very well and he had his plan to build a ramie textile factory on that site. He liked the location which was very close to local ramie producers. He made good money in the past four years and saved it. By negotiating a bargain price, he bought the factory as a sole owner without any financing. Timing for Mr. C to start his business was perfect. He received strong support from the local government because he created employment opportunities for the area. His ramie textile products were sold abroad - Europe, the US and South-East Asia, and the market demand for his products was also strong. He had a very good run for four years and everything was going smoothly. However, the financial crises in 2008 and continuing appreciation of the Chinese currency had hit his business hard. Export sales were severely affected by poor economic conditions in foreign countries and the adverse foreign exchange rates. At the peak he had 146 employees but now only about 90. There was no sign of immediate recovery. As the sole owner of the business, Mr. C is under tremendous pressure due to the lack of orders and difficulty to obtain financing. He is worried about the future of the factory and pondering what to do next. One option is to improve productivity by modernizing the production process and offsetting the increasing labor cost and instability. The problem is that he is unable to obtain a large amount of financing from banks and the underground financing is simply unaffordable.

Entrepreneur D

Mr. D completed his undergraduate studies in Accounting in 1966. Then the Chinese Cultural Revolution began. Like any other young graduates, they were treated as dangerous intellectuals and were sent to factories and farms for “reeducation” according to Mao’s doctrine. He worked as a blue collar worker for several years and later had a chance to do his accounting work. In 1976 the Cultural Revolution ended after Mao’s death. When the universities reopened in 1978, Mr. D successfully passed the national entrance exams for graduate studies and was admitted to one of the top universities. He earned his master’s degree in business administration in 1981. There was an acute shortage of graduates at that time and Mr. D could choose any employers he wished. However, he wanted to end the long distance relationships with his wife and two children. Then the only choice for him was to go back to his home city. Furthermore, he only wanted to work for an employer who was willing to provide a two bedroom apartment to house his family of four. As a result, he became a faculty member at a university.

Mr. D enjoyed his academic life and published several books. He was also frequently invited as a guest speaker. His research interest was in small and medium size banks, which were in their infancy in China at that time. In 2001 he launched the Research Centre for Small and Medium Banks at the university. However, the lack of sufficient funding prevented him from implementing his research plan. To solve this problem, Mr. D led his research team to look for other channels to raise funds. Soon he found that there was a high demand for training personnel for small and medium banks. It was a big success. They had 14 training projects in 2003 and 33 in 2004. The amount of revenue they made for the university stunned the administration. Ironically, there was no way for them to spend the money on research because the signing authorities were limited to a few thousand yuan under the strict central planning system. Mr. D realized it was unrealistic to see any reforms of the system in the foreseeable future. Besides, he not only discovered his own potential as an educational entrepreneur but also tasted the earning power in this area. He reached his mandatory retirement age in 2004 but the university extended his position for two years as an exception. It was time for him to retire in 2006; he left the university happily and started his own private enterprise to train managers for small and medium banks. With an excellent personal reputation and well-built clientele base, Mr. D’s training institute experienced an exponential growth. As a sole owner, he now has 110 employees and owns a building which has capacity to host more than 500 training cohorts annually. He provides trainees with classrooms, full room and board accommodations, and other facilities. He is over 70 but still full of energy; and is looking forward to further expanding the business.

Entrepreneur E

Dr. E earned his bachelor degree in electrical and electronic engineering, master degree in computer science, and Ph.D. in electrical and electronic engineering. His first position after graduation was working for one of the Fortune 500 companies. It was a very highly paid position. However, Dr. E often felt that he wanted to do things which he was unable to do in this large state owned enterprise. He became quite pessimistic that, under the structure of the corporation, he was not and perhaps would never be able to put his creative ideas in practice. It was an enviable position but restricted his personal dream. After four years, he shocked all his colleagues, friends and family members – he resigned. Many people thought he must have had mental problems to take such an action. Dr. E's goal was to commercialize some results in his Ph.D. dissertation in the area of industrial automation using information technology. He firmly believed that it would have broad applications in industrial management, even though corporations were not eager to move in this direction at that time. It seemed like good timing to start a high tech or new tech business because all levels of government encouraged and supported entrepreneurs in this area. On April 1, 2009, Dr. E and his partner registered their business after months of preparations. However, the only financial support he received from the government was a chair and a desk in a room shared with others in an industrial park. Fortunately, his business did not require a large initial investment for fixed assets. He used his own savings and bought some computer equipment and software. What he urgently needed was to find a corporate client who was interested in automating their industrial management system. Then he could provide consultation, design a system, outsource manufacturing, and install it. Unfortunately, there was no luck in his first year. Worse, his partner decided to leave because he needed income to support his family.

For a while, even the management of the industrial park was doubtful about the future of Dr. E's new venture because it was difficult for them to understand what he was doing. The turning point occurred in the second year when he had a contract from a local company. He did an outstanding job and his client was extremely satisfied. As a result, the client company improved its management system and productivity significantly. Their testimonial became an effective marketing tool for Dr. E. In the past four years, Dr. E's business has been growing rapidly. As the sole owner, he now has 18 employees and most of them are highly educated, creative engineers and scientists. They have secured several large contracts with large state owned enterprises for the coming year. Dr. E has become a rising star in the industrial park and has already started construction to have his own new office building outside the park.

Entrepreneur F

The 2010 Copiapó mining accident in Chile was closely watched by the world. Magically, 33 miners were rescued after staying in the emergency underground mine refuge chambers (EUMRC) for 69 days. It was a wake-up call for the Chinese mining industry, which experienced many tragic mining accidents and deaths. Recognizing the safe haven function of the refuge chamber, the Chinese government required all mining companies to install EUMRCs to protect miners from potential accidents. At that time, Ms. F and her three friends were working as engineers and executives for a family owned company, which manufactured service equipment for mining companies. They did not really feel that they belonged to the company. The company was firmly controlled by family members and other non-family member executives had no say in decision making; and they were also concerned about the direction and the future of the company in an increasingly competitive environment. After the Chile mine disaster, Ms. F and her three friends were excited by the newly emerging opportunity to provide EUMRCs for the Chinese mining industry. Soon they collectively decided to resign and start their own business as a team. After several months of preparations, they registered their new company in May 2011. The start-up financing was from their own savings and bank loans using their residences as collateral.

In collaboration with a local university research team, they developed, designed and manufactured the first unit of their own EUMRC in February 2012. Unfortunately, the response to government's safety

regulations from the mining industry was lukewarm because there was no required deadline for implementation of the regulations. The existing refuge chambers were provided by a major manufacturer in the industry, which had its own extensive marketing and sales network. After visiting several mines, Ms. F and her team found that the major manufacturer's EUMRCs were inferior to their product. However, as a small player, it was perhaps not wise to directly challenge the giant competitor because of its monopolistic power and long established close relationships with mining companies. Instead, they formed a win-win strategy and convinced the giant to accept them as a subcontractor. The result was a great success. Sales were growing exponentially. In just one year, the workforce increased from 6 to 59. The management team members have a common vision and work together very well; the employees' morale, loyalty and spirits are high; the potential market for EUMRCs is huge, and the company continues investing in R&D to improve its products. The outlook is very positive.

Entrepreneur G

After completing his bachelor of Electrical Engineering degree, Mr. G was offered a position at a state owned enterprise. He started as an assistant engineer and was promoted to a managerial position. In those eight years, he was moving up smoothly on his career path; he married a lawyer working for the government and they had a child. However, he felt somewhat empty. He wanted to be more motivated and do something more meaningful. With his wife's support, Mr. G resigned and joined a few friends in a southern coastal city. They started their own business. They designed and made mechanical molds for industrial clients. The demand for their molds was strong because of the good quality and timely delivery of their products. In less than five years, Mr. G gained valuable experience as an entrepreneur and saved some money for future investment. It was time for him to go back to the city where his wife and son lived. Luckily, there was an opportunity awaiting him in his home city. A small factory was closed due to the lack of orders. He moved back without any hesitations and wanted to own the closed business.

He was facing various issues: all former employees wanted to get their jobs back; the transfer of fixed assets to his ownership was difficult to complete due to many levels of approvals by the government; public relations were not his strength, and others. At the end, Mr. G decided to abandon this plan to acquire the closed factory and felt relieved at the decision. Shortly thereafter Mr. G found another opportunity. A public technical school wanted to establish a teaching factory and invited a private partner for a joint venture. The school would provide the buildings and the private partner would provide equipment. After rounds of negotiations, the school administration and Mr. G quickly reached an agreement. In the past four years the public and private joint venture has been working smoothly. They make various types of surgical instruments for hospitals, personal rescue kits for mining companies, and industrial battery shells for ports. The diversified combination of products has helped them weather the changes of demand in each product market. Now they have a stable work force of about 50 employees. In addition to the domestic markets, their products are also exported to the Americas and Europe. Mr. G has been constantly studying the advanced technology and the market, which has helped improve the quality and marketability of their products. He feels very happy that he can concentrate on the real work and realize his personal dream as an entrepreneur.

Entrepreneur H

While studying computer science at a top university, Mr. H impressed his professors with his elegant style in writing computer programs. Being a student in the undergraduate program, however, he was hired as a teaching assistant in a graduate program. As an exception, he was offered a teaching position to stay after receiving his bachelor degree of science. It was a great honor and Mr. H accepted offer with mixed feelings. He knew that he would have a smooth career path – from a lecturer to an assistant professor, then a full professor at such a famous university, envied by many graduates with PhD degrees. He also believed that he would be able to excel in both teaching and research. However he had some personal goals in mind. He

liked to develop new technologies and products with direct applications in and contributions to the society and the economy. Ultimately, he would like to have a group of colleagues working together, exchanging ideas, and doing creative things without worrying about income to support their families. Obviously, these goals would not be realistic at a huge university with an administrative hierarchy.

Mr. H was grateful to his professors and worked at the university for two years. Then he felt that he had returned the support and it was time to move on to realizing his dreams. He and two friends started a small company and soon they developed a non-traditional network broadcasting system to be used in language laboratories, music classrooms and internal information channels at universities and schools. The happiness from their success in developing the new product was quickly overshadowed by the reality – users hesitated and were unwilling to accept the new product despite their offer of a free trial period. The reason for this was because all universities and schools were publicly funded at that time and they had their traditional supply systems relying on those state owned enterprises which were not very innovative. Therefore they were not only afraid to use products from such a tiny and unknown company but also suspicious about them. Mr. H and his team could not figure out why users were not willing to accept their wonderful products. It was a painful lesson. Only later they learned: in the information industry you would become a “martyr” if you are one step or more than one step ahead of your competitors; but a winner if you are only a half-step ahead. The following years were very difficult for Mr. H and his partners.

They experienced financial distress, loss of employees, misunderstanding and humiliation by potential clients, and isolation. At their lowest moment, there were only three of them in the company. Mr. H’s extremely strong will and exceptional learning abilities made it possible for them to survive. Gradually they identified and overcame their weaknesses in the non-technological aspects of the business such as marketing. After more than five years of struggling Mr. H and his team developed well-rounded entrepreneurial and business skills. They established strategic alliances with Mr. H’s Alma Mater in research and development, and with a major national company in marketing and distributing products. In 2010 they launched Cloud Broadcasting which was well received by the market. Now Mr. H has more than 130 employees who are well educated and bright young men and women. They have common interest and goal in research and innovation. It is Mr. H’s hope that he will eventually be able to fund a research team and let members freely explore their ideas and advance knowledge.

Entrepreneur I

Mr. I is a lawyer by training. He started his career as Assistant to the President at a medium size company. His work required a large amount of his time to deal with other companies; and many of them were SMEs. Gradually, he found that SMEs were facing many difficulties and in need of services and support – legal, product development, financing, management, marketing, etc. When his company decided to relocate to another city Mr. I decided to stay with his family. He started a consulting business providing legal services to SMEs. It was perfect timing – at that time there were initiatives by all levels of government to promote and support SMEs. Responding to a high demand for services from SMEs, Mr. I and his two partners established Service Centre for SMEs in 2010. They planned to offer services in various areas such as management, financing, marketing, technology innovation, employee skill training, legal services, etc. It was a non-profit organization with the financial support from the municipal government. However, the government support was not in a form of direct subsidy to the center; instead, it was provided as subsidies to those SMEs who needed services from the center.

The center’s core services are based on the expertise of the staff in the areas of financing, management consulting and legal affairs; and services in other areas rely on outsourcing. They believe it is an efficient and effective model. They outsource services from consultants with good reputations and strong track records after a strict assessment process and feedback evaluation. They not only guarantee the good quality of services but also reasonable fees. In fact, all their service fees are only paid to the center and consultants

when the SME clients are satisfied with the services; otherwise accounts receivable are not collected. The funding agency of the municipal government has been satisfied with the operation model. At the beginning, the center had approximately 10 staff members and served more than 30 SMEs in the first year. Two years later, the center has expanded significantly – with 30 employees and more than 300 clients.

RESULTS

Analysis of the in-depth personal interviews conducted with these nine Chinese entrepreneurs is provided in this section. The entrepreneurs are located in three different geographical regions from coastal to interior locations and they operate across a range of industries. Table 1 presents an overview of the industries, their years in the current business and the number of employees in each operation. The businesses span eight different sectors: clothing, construction, textile, education, industrial automation, manufacturing, information technology, and consulting services. These entrepreneurs have been in their current businesses for time periods ranging from two years to nine years with one exception of 22 years as indicated in Table 1. There are more than 687 employees working in these nine SMEs demonstrating the capacity of entrepreneurship as a generator of employment and the fulfilling of the expectation on the SME sector to create jobs. Table 1 summarizes the industry, years in business and number of employees for each of the nine SMEs which cover a wide range of industries and strong employment generation over two to 22 years. Responses to the four research questions are provided by summarizing and presenting the data from the interviews.

Table 1: Business Profile – Industry, Years in Current Business and Number of Employees

Entrepreneur	Industry	Years in Current Business	Number of Employees
A	Clothing Manufacturing	22	100+
B	Brick Manufacturing	4	100+
C	Textile Manufacturing	9	90
D	Education Services	7	110
E	Industrial Automation	4	18
F	Emergency Mining Equipment	2	59
G	Surgical Instruments and Safety Equipment	4	50
H	Information Technology (Cloud Broadcasting)	8	130
I	Business Consulting for SMEs	3	30

RQ1: What Motivates Entrepreneurs in China to Take on the Challenge of SMEs in a Changing Economy?

The prime motivations for undertaking these business ventures are summarized in Table 2.

Table 2: Entrepreneurial Motivation for formation of SMEs

Entrepreneur	Motivation
A	Desire to create own brand of men’s western style suits
B	Insufficient income to support family, first business failure, violation of one child policy, and opportunity identification
C	Desire to apply knowledge gained in university
D	Reached retirement age as an academic and wanted to continue work in training managers in small and medium banks
E	Motivated to commercialize research findings from PhD thesis
F	Opportunity identified as a result of Chilean mining disaster and group of friends dissatisfied with employment conditions
G	Government employment not meaningful combined with desire to return home
H	Desire to develop applied technologies and have funds for creative research and development
I	Did not want to relocate with existing employment and identified market opportunity for services to SMEs

Table 2 identifies the entrepreneurial ambition of these nine entrepreneurs particularly in relation to opportunity identification and personal aspirations. Five of the nine entrepreneurs (B D F G and I) have

personal motivators coincidental with opportunity identification; and four entrepreneurs (A C E and H) were inspired to pursue a dream. Three of these four (C E and H) possessed unique knowledge that they believed was the foundation for a successful business. In terms of motivations for these entrepreneurs to start their own businesses, the interview results show that eight out of nine entrepreneurs resigned from their stable or even enviable jobs to pursue their personal dreams.

RQ2 : What Are Their Backgrounds in Age, Gender, Education and Work History?

The backgrounds for these nine entrepreneurs in relation to age at which they started their businesses, gender, educational background and work history are presented in Table 3.

Table 3: Demographic Profile of the Nine Entrepreneurs

Entrepreneur	Age at Start Up	Gender	Education	Work History Prior to Current Business
A	26	Male	High School Drop out	Tailor to Chief Tailor
B	29	Male	Bachelor of Mechanical Engineering	Factory, partnership with brother making machinery parts, then managerial contractor
C	30	Male	Bachelor of Textile Engineering	Assistant Engineer in state owned company, public servant, then managerial contractor
D	62	Male	Master of Management and Bachelor of Accounting	Blue collar work during the cultural revolution then professor at university
E	32	Male	PhD and Bachelor of Electrical Engineering and Master of Computer Science	Engineer in a Fortune 500 company for four years
F	Late 20s	Female	Bachelor of Management	Engineer and executive for family owned company
G	35	Male	Bachelor of Electrical Engineering	Assistant engineer to manager in state owned enterprise, then partnership with friends
H	24	Male	Bachelor of Computer Science	Lecturer at a top university for two years
I	Late 20s	Male	Law Degree	Assistant to President of medium size company

Table 3 presents the age, gender, educational background and work history of the entrepreneurs which is predominantly male, well-educated and well-employed. Five of the entrepreneurs embarked on their business venture when they were in their late twenties and three were in their 30’s. The one noticeable outlier is the one who was 62 after retiring from an academic career. There are eight male entrepreneurs and only one female entrepreneur. While the sample is not statistically validated there is no direct intent to reduce female participation in the interviews. This raises an area for further research and for policy makers which is discussed further in the implications and conclusions. Eight of the nine have post-secondary education and only one did not complete high school. One has a PhD and one has a Master’s degree. This indicates that these entrepreneurs are well educated and in reviewing their work experience they had good employment situations. This is a strong profile in relation to education and experience. The dominance of engineering educational backgrounds raises another interesting question as to whether engineering education fosters entrepreneurship.

RQ3: What Forms of Ownership Do Chinese Entrepreneurs Prefer?

The current organizational structure of these SMEs is shown in Table 4. They are all engaging in business with forms of organizational structure which means they are bearing the full risk of gains and losses. Five are in partnerships and four are operating as sole proprietors. Whether this is by deliberate choice or by lack of options is an area that warrants further investigation. Availability of limited-liability alternatives has not been reviewed for this research however based on the results shown in the Table it is an area that warrants additional research and may also be an area for policy development.

Table 4: Business Structure of Nine SMEs

Entrepreneur	Initial Entry Into Business	Changes in Form
A	Sole Proprietorship	
B	Partnership	Sole Proprietorship, Partnership
C	Partnership	Sole Proprietorship
D	Sole Proprietorship	
E	Sole Proprietorship	
F	Partnership	
G	Partnership	Sole Proprietorship
H	Sole Proprietorship	
I	Partnership	

Table 4 demonstrates the dominance of sole proprietorships and partnerships in the organizational structure.

RQ4: What Is the Future Outlook for These SMEs?

The entrepreneurs are asked about their outlook for the future viability, growth and success and asked to describe it in terms ranging from Very Negative to Very Positive. Five of the nine indicated they are “Very Positive”, three are ‘Positive’ and only one described the future as ‘Uncertain’. These results are shown in Table 5.

Table 5: Business Outlook for Nine SMEs

Entrepreneur	Business Outlook
A	Positive
B	Positive
C	Uncertain
D	Very Positive
E	Very Positive
F	Very Positive
G	Positive
H	Very Positive
I	Very Positive

Table 5 shows an overall positive outlook for these entrepreneurs in China with only one expressing uncertainty with all the rest being predominantly very positive. This positive outlook combined with the success and viability of these businesses over the years they have been in business augers well for SMEs in China. They are owned and operated largely by well-educated entrepreneurs who have gained experience over their years in other employment and business. In summary the data collected and analyzed shows a strong SMEs operating across a range of industries with entrepreneurs who are well-educated with strong employment backgrounds. They employ a total of 687 workers across the nine enterprises and hold a very positive outlook on the future of their endeavors. While this is not a statistically defensible view, it provides insight to the development and growth of SMEs in the emerging and changing economy of China.

CONCLUDING COMMENTS

This exploratory research does not answer all questions in relation to entrepreneurial motivation, ideal educational and experience background for entrepreneurial success. However, it has raised these research areas and more for potential researchers. This exploratory research on the Chinese entrepreneurs has raised these and more as areas for potential researchers. Furthermore, a future longitudinal study of these entrepreneurs would help to assess the growth from SME to larger businesses and long run sustainability of entrepreneurial ventures. In addition, the specific barriers faced by female entrepreneurs should be explored to tap that potential for personal accomplishment and societal advantage. Finally, to overcome the limitations of convenience sampling, developing and implementing a research design that would enable

the survey of a larger number of SMEs to gather more extensive data is a challenge for researchers in SMEs, entrepreneurship and cultural understanding.

The research findings have some important implications. Firstly, during the interviews the seven engineer entrepreneurs recalled their successes in product development and the tremendous difficulties in business aspects they faced at the start-up such as financing, marketing, recruitment, etc. This has important implication for engineering education. Perhaps it is a good idea to enhance the existing engineering education by adding business components so that engineering graduates will be better equipped with business skills in pursuing their entrepreneurial dreams. Secondly, the representation of female entrepreneurs is very small in this sample even though the authors did not intend to choose more male research subjects. How to realize the economic benefits of the untapped potential of female entrepreneurship is a question not only for policy makers but also for the whole society. Finally, by operating either as sole proprietorships or partnerships, all nine entrepreneurs have each assumed the full risk of success or failure. During interviews, all of them expressed their desires to have firm controls over their businesses. However, it is not clear whether they have fully looked into advantages and disadvantages of all forms of business ownership. It is very beneficial for an entrepreneur to choose the most suitable form of business ownership based on the growth stage, the strategic plan, and other relevant factors in an SME.

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