

The Intangible Concept Behind a Tangible Economic Miracle

A calling: what drives China's entrepreneurial class to new heights?



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The adventure of the spirit



For reasons not worth exploring here, religion is no longer in fashion in the world today, with the exception of the Muslim nations: a certain secularization has spread across the planet. At the very least, religion is no longer fashionable in the traditional sense of the word, as a system of beliefs and practices that bring together the majority of the population of a country or region around a social structure.

This traditional concept of religion was introduced in China in the 19th century, through Japan, which has so often served to transmit ideas and trends to its neighbor. Japan coined the word *Shūkyō* (宗教), religion, and the Chinese borrowed the concept, adopting the same characters, but pronouncing it *zōngjiào* (宗教). From the first Chinese Republic, after the fall of the Qing Empire in 1911, to the present day, Buddhism, Taoism, Christianity and Islam have been recognized as religions in this traditional sense. All other religious beliefs and practices, local cults and other types of spiritual manifestations not part of these *major religions* were relegated to the category of superstitions and beliefs (*mixin* 迷信).

However, in its less traditional or more lax meaning, we could talk about *minor religions*, in which case religion is everything that has to do with spirituality, which never goes out of fashion, because regardless of their cultural differences,

all societies are spiritual. The spiritual gene is an intangible and enduring part of our DNA. Its greatest flaw is part of its greatest virtue. It is omnipresent, but intangible: it is not located in any one place. Moreover, while certain movements may appear to be free of spirituality, of religion, in reality they are still spiritual manifestations. "The Cultural Revolution was far from being a secularizing movement. Rather, it represented the apotheosis of a parallel trend of political sacralization that was rooted in the religious and political culture of imperial China, as well as in the utopian and apocalyptic dimensions of modern revolutions," writes Vincent Gossaert, an expert on religion in China⁽¹⁾.

Much has been written in the West about China's seeming lack of religious spirit and the difficulties of fitting the concept of Western religion into Chinese culture. Traditionally, there has been much debate over whether Buddhism, Taoism, and Confucianism, the so-called *Three Religions* (*sānjiào* 三教)⁽²⁾ are wisdoms, teachings, or religions as the West understands them. The failure of Matteo Ricci and other Jesuits in the late 16th century to convert the Chinese to Catholicism is often attributed to the supposed inability of the Chinese to grasp the concept of monotheism. This 'lack' of religiosity may have as much to do with the fact that the Chinese are not religious in the way we understand it in the West.

That said, we might ask why there are so many temples and shrines in China, and why, if one travels through the country, one witnesses so many manifestations, ranging from lighting candles, burning incense, or other practices, such as respecting silence in those temples and shrines, as in other parts of the world. It is also often pointed out by writers such as the French sinologist Cyrille Javary that the Chinese language lacks a character that represents exactly what the word God does in Western languages.

In 2003, when China joined the select club of countries that have launched a human into space, Colonel Yáng Liwěi's rocket was called *Shénzhōu* (神舟), which was translated in Western media as the *divine spaceship*. The name was the inspiration of the then president of China, Jiāng Zémín. Javary wonders why he chose a name with a clear theological significance, given the Chinese Communist Party's avowed atheism. His answer is that *Shén* (神), is a very old character, which has nothing to do with divinity, but rather with spirits in general, in the shamanistic sense. Javary therefore translates *Shénzhōu* (神舟), not as *divine spaceship*, but as *the spaceship of the spirits*, which is still neither socialist or scientific. He explains that the reason Zémín chose that term is because of its perfect homophony with another expression *Shénzhōu* (神州), whose spelling in Chinese characters is slightly different from *Shénzhōu* (神舟), and its meaning completely different: this *Shénzhōu* (神州) is an ancient and poetic term for China. If Javary is correct, the question that might then be asked is

whether shamans, belonging to *minor religions*, are less spiritual than the priests of *major religions*. The answer to which would clearly be no.

Leaving aside this rather convoluted explanation and the linguistic playfulness the Chinese language is capable of, perhaps it could be argued that *Shén* (神), while not corresponding directly to God or the divine, does speak of spirituality, of religion, albeit in a looser sense, as mentioned above. The spiritual gene is a gadfly. It is a very tangible intangible, which manifests itself in all human societies, to correct the purely material aspects of our inexplicable existence. Adam Smith himself, the father of capitalist theory, who never used the term capitalism, instead believed markets not only functioned according to individual and material interest, but also to our feelings for others: compassion, sympathy, and concern for all men, all spiritual manifestations. This was the core argument in his first work, *The Theory of Moral Sentiments*, which he continued working on throughout his life, even after the success of *The Wealth of Nations*.

Smith's introduction to *The Theory of Moral Sentiments* illustrates this: "How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it. Of this kind is pity or compassion, the emotion which we feel for the misery of others, when we either see it, or are made to conceive it in a very lively manner"⁽⁴⁾. Smith seems to be saying that

Individual interest is good for trade, but not for life. Commerce must be corrected by certain values, by certain spirits.

The IE China Center's report this year, *The Intangible Concept Behind a Tangible Economic Miracle*, probes the spirit that drives Chinese entrepreneurs to overcome political, economic, social and other barriers, in the belief that what drives them is a vocation, not unlike the fiery religious or spiritual calling of the West. As the report notes, given the religious roots of the concept of vocation, and based on the arguable premise that the Chinese are generally unfamiliar with the religious spirit, research into the origins and purposes of that concept are borrowed from Western religion.

That said, if we accept that all human beings are endowed with a spiritual gene, however intangible, surely there is nothing to prevent future research on the adventure of the entrepreneurial spirit from focusing on Chinese spirituality as its measuring stick.

(1). Cf. *The Religious Question in Modern China*, Vincent Gossaert and David A. Palmer, University of Chicago Press, 2011, p. 167.

(2). Cf. *Sān* (三) is three, and *jiào* (教) is teaching, religion. The Chinese word for religion is *zōngjiào* (宗教)

(3). Cf. *Les trois sagesses chinoises: Taoïsme, Confucianisme, Bouddhisme*, Ed. Albin Michel, 2010, p. 21 onward.

(4). Cf. *The Theory of Moral Sentiments*, Adam Smith, Penguin Classics, 2009, Section I Of the sense of propriety, Chapter I Of sympathy, p. 14.

The Intangible Concept Behind a Tangible Economic Miracle.

A calling: what drives China's entrepreneurial class to new heights?

Despite the challenges posed by the Covid-19 pandemic, China was the only major economy to grow in 2020, managing 18.3% year-on-year in the first quarter of 2021. A range of forecasts for 2021 are all above 6%. These numbers will be no surprise to anybody familiar with the history of the Chinese economy over the past few decades. Scholars have been investigating the country's economic miracle closely, developing theories based on various perspectives in the hope of replicating it to energize the global economy.

With its focus on China's economic and business practices, in recent years, the IE China Center has been paying special attention to entrepreneurship and innovation in China, considering them as the fuel for future economic growth. In our 2019 report, we compared European and Chinese entrepreneurship models, noting their similarities and differences in the hope of providing a better understanding of what makes the country's private sector tick. In our 2020 report, we looked at the contribution of family businesses to Chinese economic growth, with additional attention to post-Covid collaboration with Chinese businesses.

This year, we continue by digging deeper into the most basic element that drives the Chinese economy, the people, and more specifically, entrepreneurs and executives. We intend to contribute to an understand-



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“As one of the ultimate drives, a calling can motivate Chinese entrepreneurs and executives to pursue their careers and, further, power the Chinese economic miracle.”

ing of the growth of the Chinese economy by taking a more focused examination of the inner world—spirituality, and motivation—of China's hard-working business-people.

When discussing what motivates entrepreneurs, business school academics in the West sometimes use the construct of “a calling”, connoting a quasi-spiritual drive that gives purpose and meaningfulness to work. People with a calling find their work fulfilling, rooted in their inner-life and central to their personal identity; this is arguably the ultimate drive for working.

Given its roots in religion, research into the idea of a calling has largely focused on the West, rather than on China. Findings typically identify three components of a calling: the notion of an external summons—an individual feels “called” to a specific type of work, which necessarily implies a “caller,” in the form of a higher power; a person's approach to work aligns with their broader sense of purpose in life; and finally, a career oriented toward benefitting society. Obviously, not all of these findings are applicable to Chinese society, and do not necessarily explain why Chinese entrepreneurs and executives are so dedicated.

For our 2021 report, we have conducted studies using different data sources, along with a combination of qualitative and quantitative research methods to explore the extent to which we can talk in terms of a calling in the context of Chinese entrepreneurs and executives, and that underpins their passion and perseverance, especially during difficult times. Could this intangible engine be what helps drive the growth of the Chinese economy? A better understanding will help us gain insight into the people powering the Chinese economic miracle, while at the same time laying the foundations for ongoing global collaboration.

Conceptualizing a Calling in the Chinese Business Context

For the first step, we aim to conceptualize what a calling means to Chinese entrepreneurs and business executives. We conducted data crawling on the internet regarding the speeches, interviews, and biographies of 169 iconic business leaders (N=169) listed on the Outstanding Private Entrepreneurs in the 40 Years of Chinese Economic Reforma-

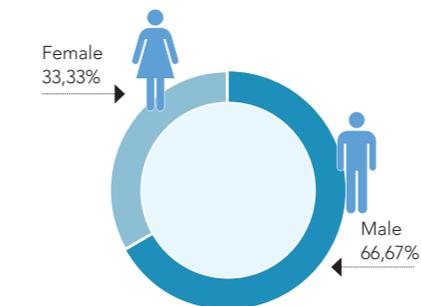
tion by the All-China Federation of Industry and Commerce (ACFIC).

Further, we conducted in-depth interviews with 34 Chinese entrepreneurs and business leaders (N=34) from nine different industries. The demographic information is summarized in Table 1, showing a balanced distribution in all criteria.

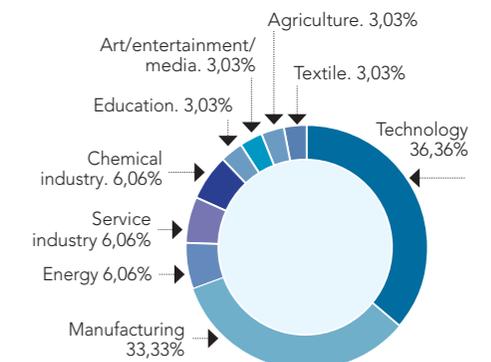
DEMOGRAPHICS OF INTERVIEW SAMPLE (N=34)

(Table 1)

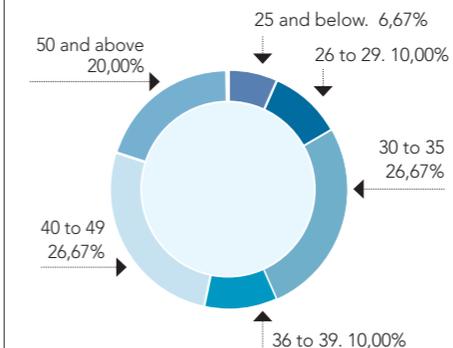
■ GENDER



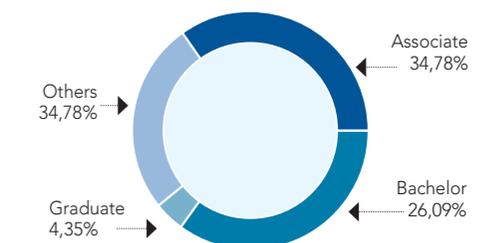
■ INDUSTRY



■ AGE



■ EDUCATION



We processed the original data into items and labels using Deductive Qualitative Analysis (DQA). Following DQA procedure, we eventually came up with 11 labels categorized into four dimensions: altruistic contribution, actualizing the value of life, personal attachment, and external influence. These results are shown in Table 2, followed by detailed explanations and examples of each dimension with quotes from both samples introduced above.

Altruistic contribution

Altruistic contribution is the most frequently seen dimension, indicating a connection between one's belief in a personal mission and a willingness to serve others by contributing to the country or giving something back to society.

■ In 1968, He Xiangjian founded Midea Group, now one of China's most successful family businesses and among the largest electrical appliance manufacturers, with more than 60 overseas branches. He once mentioned: "My family and I are very grateful and want to give back to society. We share a sense of social responsibility and a willingness to help others."

■ Liu Yanyun is the founder of Kinghey Group, a food manufacturer with more than 50,000 employees in China. Due to the nature of the industry, Mr. Liu always says he sees a strong connection between the business and his country. Regarding his motivation, he once said: "We work very hard to create more wealth for the people of my country, so that the younger generation can benefit from a new era of self-actualization... this is not just about creating jobs for them, but more importantly, to create happiness and meaningfulness together with them, so that they can in turn contribute to our country."

CONCEPTUALIZATION OF CALLING

(Table 2)

DIMENSION	LABEL	FREQUENCY (INTERNET SAMPLE N=169)	FREQUENCY (INTERVIEW SAMPLE N=34)
ALTRUISTIC CONTRIBUTION	Positive Influence Service for Others Contribution to the Country	45.32%	47.06%
ACTUALIZING THE VALUE OF LIFE	Goal Achievement Self-actualization Meaningfulness and Value	32.87%	41.18%
PERSONAL ATTACHMENT	Faith Preference	9.69%	5.88%
EXTERNAL INFLUENCE	Societal Trend Group Expectations Obligation	12.12%	5.88%

Actualizing the value of life

The second dimension is actualizing the value of life, or working on self-improvement and the actualization of personal goals.

■ Liu Chuanzhi, the founder of Lenovo, once said: "Before the age of 40, I worked for the Chinese Academy of Sciences. I could not turn my scientific and technological innovations into real products. Instead, I had to publish papers and pursue academic hierarchies. I was so bored that I decided to start my own business and give myself an opportunity for achieving my personal value. This was my original intention [for becoming an entrepreneur]." Lenovo hit the headlines in 2005 when it acquired IBM's personal computer division. The company operates in more than 60 countries and sells its products in 180.

■ Xu Jiayin, the founder of Evergrande Group, began his professional career in a secure job allocated by the state after his college education. Seeing the opportunities that accompanied economic reform, he quit his job, moved to Shenzhen and created his business, explaining that he doesn't define himself in terms of "living a repetitive and ordinary life." Evergrande is the second-largest real estate company in China by sales. In 2018, the company was ranked the most valuable real estate company by Brand Finance.

■ Liu Yanyun, the founder of Kinghey Group, told us: "In the first half of my life, I focused on business, the success of which is measured by the size of my company; in the second half of my life, I intend to devote my personal value into the education of the younger generation."

Personal attachment

Personal attachment is usually associated with a passion or interest, aiming to devote oneself to developing a specific industry.

■ Yan Qi, the founder of Tao Ranju Food Culture Group, whose activities include catering, chef training and education, as well as the hotel business and agriculture, is quoted in an interview: "the food business has always been Tao Ranju's main business because I love this industry and see it as my career and the reason I went into business."

■ When Li Shufu, the founder and chairman of Zhejiang Geely Holding Group, visited Los Angeles in the 1990s, he was inspired to help China create its own motor industry. Motivated by this passion, he completed the "transformation of being a farmer to an expert of the auto industry within 10 years of self-education." His privately-owned company, Geely, ac-

quired Volvo Cars in 2010 and the British sports carmaker Lotus in 2017.

External influence

The last dimension of a calling we identified for Chinese entrepreneurs and business executives is external influence, particularly from one's family and society.

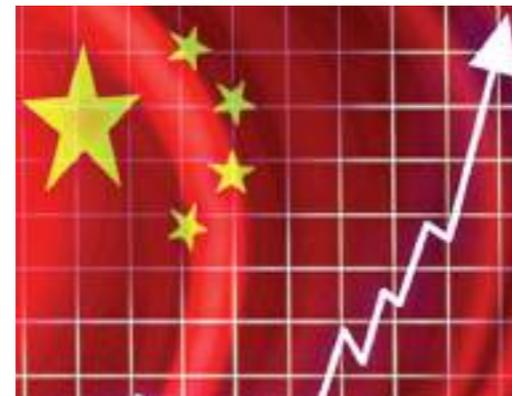
■ Zhou Qunfei, the Chairman of Lens Technology, which supplies Apple, remembers her decision to start a business: "This was a very difficult time, but my family, relatives and friends encouraged me. I swore to myself that I would work hard to make a better life not only for myself but, more importantly, for them." Growing up in modest family, Ms. Zhou's initial aim was to "give [her] family a better life." She later suffered depression, but the support of her daughter and husband, as well as her employees, enabled her to carry on. Under the leadership of

Ms. Zhou, Lens Technology has achieved a market capitalization of over \$22 billion as of January of 2021.

■ Zhang Xin, the CEO of TBEA, which makes electrical equipment, "stepped into the role of [an executive] with the trust and expectations of his friends and the initial group of employees."

■ Wang Wenjing, the chairman of Yonyou, which specializes in accounting and ERP software, recalls his initial motivation for creating his business to a specific day: August 6, 1988, when the Beijing New Technology Industry Area was formally founded in the Beijing tech hub Zhongguancun. He describes how "government policies prompted his final decision" to create his software company. The Chinese rendering of the company, Yongyou, can be directly translated as "the user's friend", underscoring its user-oriented company culture.

Enriching a Calling in the Chinese Context: a scale measurement



So far, we have developed an understanding of the meaning of a calling for Chinese entrepreneurs and businesspeople, which we have summarized as 11 labels categorized into four dimensions: altruistic contribution, actualizing the value of life, personal attachment, and external influence.

In order to further investigate the relationship between Chinese entrepreneurs and executives and their companies' strategies and performance, we followed a psychometric procedure and created a scale measurement of calling. This scale will provide a foundation for future research on the calling of Chinese

entrepreneurs and business executives and help us understand what motivates Chinese businesspeople and the relationship with Chinese companies' business strategies and performance.

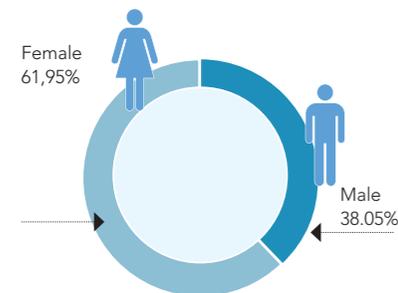
We recruited a total of 235 entrepreneurs and business executives for this study and eventually, received 226 (96.17%) valid responses. The demographic statistics are summarized in Table 3.

Based on the conceptualization of the previous studies, we created 16 items for the four dimensions of calling, with four items for each dimension. Two sample items for each dimension are: altruistic contribution (sample items: "I started this business to serve the needs of the country" and "The major goal of developing my business is to give something back to society"); actualizing the value of life (sample items: "I started my

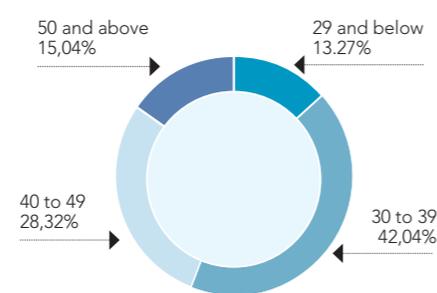
DEMOGRAPHICS OF SCALE DEVELOPMENT STUDY (N=226)

(Table 3)

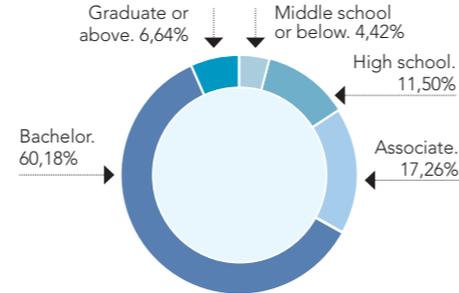
■ GENDER



■ AGE



■ EDUCATION



RESULTS OF RELIABILITY ANALYSIS

(Table 4)

DIMENSION	CRONBACH'S α	# OF ITEMS
ALTRUISTIC CONTRIBUTION	0.924	4
PERSONAL ATTACHMENT	0.927	4
EXTERNAL INFLUENCE	0.891	4
ACTUALIZATION OF THE VALUE OF LIFE	0.873	4
OVERALL SCALE	0.945	16

business to actualize my personal value", and "I started my business to make my life more meaningful"); personal attachment (sample items: "I love my business and the industry I work in", and "I want to develop this industry to its best"); and external in-

fluence (sample items: "The creation of my business is related to my social life and social environment", and "Trends in society at the time inspired me and guided me to the path of starting my own business").* Participants answered the items based on

a Likert-type five-point scale, from one-Strongly Agree to five-Strongly Disagree.

We first conducted a reliability analysis by using the value of Cronbach's α (SPSS 25.0) to test the internal consistency of the scale. A larger value of Cronbach's α indicates a stronger internal consistency among the scale items, with an acceptable threshold as 0.6. The results in Table 4 show high-level reliability in each of the four subscales, as well as the 16-item scale as a whole.

Furthermore, we conducted a series of statistical analyses for the validity test*. The result of exploratory factor analysis (EFA) shows a four-component solution for the data, which is consistent with our items for four dimensions of calling. Next, a rotation matrix located each of the 16 items into one of the four components the way we proposed. Lastly, the results of confirmatory factor analyses (CFAs) indicate a good fit between our proposed structure and the data. Overall, these analyses provide evidence for a high validity of our newly developed scale measurement of a calling in a Chinese business context.

The Relationship between a Calling and Business Practices

In order to investigate the influence of a calling on business practices, we collected data on business practices from the websites of the companies operated by the 226 executives recruited for the prior study of scale development. Specifically, we collected data reflecting four types of practices: business performance (measured by 2018 gross income), social responsibility behavior (e.g., donation, charity, foundation, etc.), diversification behavior (e.g., cross-industry new product, etc.), and internationalization behavior (e.g., foreign investment, merger & acquisition in foreign countries, etc.). Eventually, we matched data from 169 executives and their companies for analyses.

Following the procedure of Fisher's least significant difference (LSD) test*, we conclude the following relationships between the calling of Chinese business executives and their business strategic behaviors.

Altruistic contribution & actualization of the value of life → business performance

Two dimensions of calling, altruistic contribution and actualization of the value of life, are associated with better business performances, implying the mechanism of how calling of Chinese entrepreneurs and business executives promotes their companies' success.

In particular, as previously shown in our interview data, most of the executives con-

sider job creation and tax as critical ways to pay back to the country and the society. Thus, a stronger mindset of altruistic contribution can motivate executives to operate their businesses more successfully with the aims of creating more jobs and contributing more tax to the country. In addition, if an executive feels the need for actualizing their own value of life through the success of their business, they may be more likely to work hard and be persistent when facing challenges and difficulties, which proves our argument of seeing calling as one of the ultimate motivations for Chinese entrepreneurs and business executives.

External influence & altruistic contribution → social responsibility

Unsurprisingly, the social responsibility practices of our sampled companies are related with their executives' attention to both external influence and internal altruistic tendency. Being sensitive to external factors, such as economic reformation of the country, government policy, social trends, the need of general and/or less wealthy population, enables business executives to zoom in to the proper domain for their social responsibilities. Driven by the spirit of altruism, these executives are more likely to devote some of their companies' resources for the greater good of society.

Actualization of the value of life & altruistic contribution → diversification

A company's diversification into other sectors usually reflects the founder's ambition or that of the current CEO. Entrepreneurs driven by the need for self-actualization are more aware of the rapid change that has characterized the Chinese business environment in recent decades and, thus are more likely to seize various opportunities to diversify their businesses. Moreover, the diversification of their companies may also be driven by the need to find creative ways for giving something back to society.

Altruistic contribution & personal attachment → internationalization

As Chinese companies play a more central role than ever in global business operations, they invest in foreign markets, acquire local businesses, and grow internationally. Our study suggests that Chinese executives are highly motivated to contribute to their country and return something to society by expanding their businesses globally, making more international connections and showcasing their business and wider culture to the rest of the world, thus strengthening their country's reputation. This is consistent with President Xi Jinping's Chinese Dream and explains why Chinese society is in favor of it. Additionally, executives' personal attachment with their industries and/or technologies may also motivate them to seek international collaboration to further develop their industries.

Summary and Discussion

In this report, we set out to answer the question of what drives the Chinese entrepreneurs and business leaders who have contributed to China's economic miracle in the past decades. By digging into their inner world, we have made progress in better understanding the meaning of a calling in a Chinese business context.

Firstly, we used publicly available data such as the speeches, interviews, and biographies of 169 iconic business leaders listed on ACFIC's Outstanding Private Entrepreneurs in the 40 Years of Chinese Economic Reformation from which we identified the four dimensions of a calling, such as altruistic contribution, actualizing the value of life, personal attachment, and external influence. We then conducted interviews with 34 Chinese entrepreneurs and business leaders and further scrutinized our conclusions. By following the procedure of psychometrics, we created a 16-item scale measurement based on a sample of 226 Chinese entrepreneurs and business executives, which further explains the conceptualization of a calling in a Chinese business context and contributes to future research on management practices in China. Lastly, we examined how each dimension of calling influences the strategic behaviors of Chinese companies.

Based on this thorough research project, we conclude that, in contrast to their peers in the West, Chinese entrepreneurs and business leaders derive their sense of calling about the meaningfulness of work from four major aspects, in order of importance:

■ **Altruistic contribution.** This indicates one's willingness to serve and help others, considering other people's needs, build-

ing the country, and returning something to society. This is underscored by the collectivist nature of Chinese culture that motivates people to work hard for the greater good of the community, society, and the country overall. Making an altruistic contribution is the most important dimension of the calling of Chinese entrepreneurs and business executives because it drives all four types of strategic behaviors we have examined in this project, such as business overall performance, social responsibility, diversification, and internationalization.

■ **Actualizing the value of life.** This aspect covers one's self-expectation, self-satisfaction, personal improvement, and growth, as well as the ultimate personal goals and value of one's life. Contradictory to the collective tendency, the self still plays a central role in the pursuit of one's work and career goals in China. To actualize one's personal value of existence through work is one of the key drivers for Chinese entrepreneurs, which promotes the diversification and overall performance of their companies.

■ **External influence.** Very often, Chinese entrepreneurs are motivated by external factors that force them to seize the opportunity of China's economic reformation, following the trend of entrepreneurship in the early 90s, or fulfilling a sense of duty to continue a family business. Together with the mindset of altruistic contribution, their focus on external influences helps Chinese entrepreneurs and executives to commit to social responsibility more efficiently and effectively.

■ **Personal attachment.** This emphasizes the importance of personal faith,

belief, and preference. A significant proportion of the entrepreneurs and executives we sampled started their business and/or chose their career because they believed in the potential of certain sectors and that they had the passion and skills to make a change in that area. This passion drives them further expand, including internationally, and to seek the resources and opportunities necessary to develop their sector.

Taking these four aspects as the key elements to understand China's highly dynamic business culture, as well as the outcome of the decades of rapid economic growth, we have contributed to a better understanding of Chinese entrepreneurs and business leaders in terms of their inner motivations and the resultant outcomes. This report explores the basic characteristics, content, and structure of calling in a Chinese business context. Chinese entrepreneurs are increasingly being encouraged to use their passion to narrowing the gap between rich and poor, in which case a sense of pro-social altruism and a tie between personal values and the future of the nation will be further highlighted in China's national strategies. An understanding of this trend could help create conversations and collaboration opportunities with Chinese businesses, which is necessary not only for the continuous growth of the Chinese economy but, more importantly, for the world benefit in the coming years.

* Details of scale items and data analysis results are ready upon request. National Natural Science Foundation of China (Project No. 71872124), the Humanities and Social Sciences Research Foundation from the Ministry of Education of China (18YJC630129).

SUMMARY



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WHY CULTURAL IDENTITY IS KEY TO UNDERSTANDING CHINESE ENTREPRENEURS?

JOSE CONSARNAU / Secretary-General of the Spain-China Council Foundation, Ministry of Foreign Affairs, the European Union and Cooperation.

Spain China Council Foundation: connecting business and civil society across continents

In the last several decades China has become a major actor in science and technology, thus proving to be essential for the global transformation in digital era. In this context we should bear in mind how entrepreneurship is built into China's business ecosystem. It is no surprise that the country has positioned itself as a leader in innovation, research and development, and much of that credit goes to a vibrant community of entrepreneurs that has promoted disruption in sectors as diverse as medicine, education and finance.

At the Spain China Council Foundation, we follow with special attention these important trends. Our Future Chinese Leaders program, which over the last 13 years has organized visits to Spain for more than 100 young Chinese professionals from various fields, confirms our continuous engagement. In fact, the 2017 edition of the program was specifically dedicated to start-ups and technology entrepreneurship. Later, in 2018 and 2019, we focused on questions of primary consequence for the future: Artificial Intelligence and sustainable development, with an emphasis on companies and professionals who carry innovation in their DNA.

In this line, in April 2019, at the Spanish Embassy in Beijing, we launched the Chinese Society of Friends of Spain, formed by students from the Future Chinese Leaders program.



We firmly believe that one of our main functions is to serve as a hub for the civil societies of both countries, and in this context it is essential to connect the Chinese entrepreneurs with the real Spain.

China is today the largest ecosystem for start-ups in the world, with more than 200 unicorn companies, each with more than 1 billion dollar post-money valuation. Shanghai is already the world's leading destination for IPOs, with a specific stock market dedicated to science and technology companies: the STAR Market. Another of the country's major hubs of technological innovation, Shenzhen, has been named "China's Silicon Valley" for years, establishing itself as a global leader in hardware.

In 2015, the Chinese government launched a mass entrepreneurship and innovation program. Public support through funding, infrastructure and regulation has

made possible what has become known as the "fourth wave" of entrepreneurship in the country and taking up the baton from the Chinese "digital age" pioneers from late 1990s and early years of this century.

Within two years, Beijing had already implemented more than 400 measures as part of the program, and the number of start-ups has been growing at a rate of close to 20% per year. China's major cities now have an increasing number of "incubators": areas specifically designed for the development of start-ups.

From a distant perspective, we could reaffirm that China has regained its historic role as one of the world's great innovation centres. The country that invented paper money, the compass or gunpowder, now has produced a generation of entrepreneurs that are doomed to set the global pace in fields such as e-commerce, social networks or Artificial Intelligence. In the context of the recovery from the COVID-19 pandemic, innovation and disruptive thinking will be needed more than ever to ensure that technological advances benefit society as a whole.

At the Spain China Council Foundation we will follow this dynamic process closely, setting our priorities on emerging and prosperous sectors, and always bearing in mind our mission to connect companies, organizations and civil societies.

GONZALO GARLAND / Professor of Economics. Executive Vice President at IE Foundation.

China's economy surprises the world, once more.

There is little doubt, if any, that China's economic growth has been impressive over recent decades, and that the rise of China to a preeminent position as one of the leading economies of the world is one of the defining elements of the end of the 20th Century and the beginning of the 21st century. And it is highly likely that this new important role of China in the world will continue to be one of the main characteristic of the 21st century as a whole, if present trends continue. In fact, the same way as the rivalry between the United States and the Soviet Union was one of the most important characteristics of the 20th Century (certainly from the 1920s to the late 1980s) this century may very well be marked by the rivalry between the United States and China.

Recent economic data confirms the general trend. China was the only major economy in the world that managed to record positive GDP growth in year 2020, with 2.3% growth when the global economy showed -3.3% growth. And even though the official target for GDP growth in 2021 is 6%, and despite a minor slowdown in initial data for the second quarter, it seems that the Chinese economy, once more, will grow at a significantly higher rate than the one officially predicted. The International Monetary Fund predicts that the growth rate for 2021 will be above 8%. So the trend for global convergence of the "emerging countries" that accelerated in the 1990s, and that has China as its most clear example, continues with full force, at least in that part of

the world. It is true that the Covid19 pandemic may have slowed down that convergence in some other parts of the world, particularly in Latin America that has been strongly hit in both the health and the economic fronts, but Asia in general, and China in particular, have continued its convergence process in relation to the high income economies.

When following the news on China's impressive economic growth some issues tend to be emphasized. For example, the importance of Chinese exports and the trade surplus with the United States, which has led to the tensions between the two largest economies of the world in recent years. Or the impressive infrastructure investment that has taken place in China in recent decades. Or the huge "Belt and Road Initiative" that has been projecting China in the international arena. But we hear less about some other characteristics of the Chinese economy, such as its entrepreneurship and its startups. According to the "Startup Index of Nations and Regions" prepared by the USC Marshall School of Business, China has the second highest share of unicorns of the world after the United States, ahead of India and the United Kingdom. And it also holds 4 of the top 15 regions of the world with more startups. Not surprisingly the number one region of the world in terms of startups is Silicon Valley with 39.2% of the startups of the world, but Beijing is number 3 with 6.4% (right after New York with 9.4%), Shanghai is 6th with 2.8%, Hangzhou is number 12 with 2% and



Shenzhen/Hong Kong is 15th with 1.4%. Understanding all the conditions that have led to this situation, be it cultural, educational, policy related, or other, becomes very important to secure that there will continue to be dynamism in this area that without doubt is also contributing to the overall growth of China. And other regions of the world may be interested on trying to learn more about the conditions that allow for this environment promoting creativity and entrepreneurship, that is so important for continuous economic growth and development. In fact, in a moment of fast technological change, it is crucial that individuals and firms are creative and innovate fast to maintain themselves in the forefront of their sectors, and not only at a local level, but at a global level. This constant innovation is one of the crucial elements that may define in the long-run why some countries may perform better than others.

MARGARET CHEN / Optimus Horizon, Founder.

How Chinese-born entrepreneurs are setting the pace in overseas markets

Despite the impact of the global pandemic over the last year, some startups not only survived, they became unicorns. Among the best-known is Zoom, a simple-to-use, state-of-art video communication tool founded by Chinese-American entrepreneur Eric (Zheng) Yuan, and now valued at \$16 billion, a 450% increase since 2020 — a success comparable to vaccine maker Moderna or Chinese Tesla challenger Nio.

Overseas Chinese are more likely to set themselves up as entrepreneurs than other nationalities. Yuan is not alone and belongs to a generation of Chinese entrepreneurs who are building successful careers, particularly in the United States and Canada.

There are several ways for overseas Chinese to start businesses: the more traditional method is to set up a new company where the entrepreneur lives, and to then recruit and do business in that country. This approach is more suitable for a long-term commitment and when the founders are familiar with the local business culture.

Another model that is growing in popularity is to split up the production, R&D, sales, marketing, customer service and other areas of the company, locating the key parts overseas, and move the rest into China to take the advantage of the pool of highlight qualified labor market, while testing the market and building up a customer base.



“DoorDash, the world's first food delivery service was created in Silicon Valley in 2012, by CEO Tony (Xun) Xu, Andy Fang, and Stanley Tang”.

Looking at the list below of startups worth more than \$100 million, it's clear that some of the current models from China are exportable to western markets and that entrepreneurs of Chinese origin are now more likely to be able to create unicorn business models or transform successful models from China to the outside world, bucking the trend of the last century. Even though markets outside of China are usually a lot smaller than at home, these startups can still make sizable profits and launch successful IPOs. By breaking businesses down into modules these startups are able to take advantage of different locations and markets and grow quickly.

TigerGraph: founded in 2012 by Yu Xu, the US-California based startup supports advanced analytics and machine learning platforms through its distributed native graph database platform for enterprise applications. Based on a SQL-like query language (GSQL), TigerGraph supports real-time deep link analytics for enterprises with large amounts of complex data. It leverages IoT, AI and machine learning to

make sense of big data and provides personalized recommendations, supply-chain logistics, company knowledge graph, fraud prevention and many other features.

Among TigerGraph's best-known customers who use the startup's services to store their graph databases are SoftBank, State Grid Corporation of China, Alipay, VISA, Jaguar Land Rover, UnitedHealth Group, Intuit, Wish and Elementum.

The TigerGraphDB database and analytics platform and a hosted service, TigerGraph Cloud, offer pay-as-you-go pricing. In February 2021, TigerGraph raised \$105 million in a Series C funding round, bringing the company's total funding to over \$171.7 million, according to Crunchbase.

DoorDash, the world's first food delivery service was created in Silicon Valley in 2012, by CEO Tony (Xun) Xu, Andy Fang, and Stanley Tang.

DoorDash provides a platform that brings restaurants and customers together by providing real time, on-demand services. Customers can order any kind of food, anytime, anywhere with three taps on their devices. The company's business model is based on machine learning technology that tracks users' preferences to provide recommendations. The use of cutting-edge technology, such as delivery robots, is one of DoorDash's biggest differentiators, providing advanced data. The combination of stores, customers and delivery drivers have been the key to success for this logistics startup, boosted by increased demand for home deliveries of food during the pandemic lockdowns. At the end of 2020, DoorDash went public with a cap of \$72 billion, despite a loss of \$667 million in 2019 and \$149 million in the first nine months of 2020.

LimeBike, founded CEO Toby (Weiyao) Sun, raised \$70 million in 2018, building on a \$50 million Series B round, and is valued



at \$170 million, despite strong competition from Spin, JUMP, Ofo, Motivate and Uber.

Wish, founded in 2010, is an American online e-commerce platform that facilitates transactions between sellers and buyers based on the successful Chinese Pinduoduo (PDD) e-commerce platform.

Wish competes with Target, Amazon.com Dollar General and TJ Maxx by offering faster shipping and more favorable return policies. Wish will make more than Pinduoduo, and Amazon in the United States this year. It raised \$14.1 billion when it went public at the end of 2020.

RAFAEL BUENO / Casa Asia Director of Policy & Society & Educational Programs.

From bird-cage to dual circulation strategy



In 2020 China's economy represented almost 19% of the world's GDP; a huge figure considering that during that year, the world was hit by the worst pandemic in centuries and its economy, while only growing at 2.3%, well below previous rates, but nevertheless much better than the rest of the world, including the United States and Europe.

Last year also marked the end of the Thirteenth Five-Year Plan, 2016-2020, a year marked by Covid-19 and also with an eye on 2021 and its first major celebration in July 2021 with the centenary of the founding of the Chinese Communist Party.

Over the course of those five years, Beijing assumed it had achieved its goal, taking into account the special circumstances, and the fact that its GDP increased by 1 trillion yuan more than under the previous Plan, which covered the period from 2010 to 2015.

History should not only not be forgotten, but deserves to be studied, and that is why it is worth remembering that if this data seems extraordinary, in 1820 China's share of the world economy was even higher than today's, reaching 32%. We should also remember that in 1976, after the death of Chairman Mao and the end of the Cultural Revolution, this figure had fallen to 5%.

This rapid and prodigious recovery has not been the product of chance, luck or international circumstances, but is due to the long-term vision of its leaders and their ability to provide the necessary tools and the right people to implement that vision.

A good example of these pragmatic and visionary politicians was Chen Yun, who died in 1995, two years before Deng Xiaoping, after a life dedicated to the revolution and who would be remembered for his concept of the "bird-cage economy" which basically held that the economy in China should act like a bird in a cage. The cage should not be too small so as not to suffocate the bird, but big enough so that the bird can continue to grow. If the cage is not suitable, it will either kill the bird or cause it to escape.

Now, in this period dominated by President Xi Jinping, a new theory has emerged to consolidate and accelerate China's economic vision that has come to be called "the dual circulation strategy."

Basically, this strategy holds that the policy of growth through exports is being reinforced by domestic demand at a time when international trade is less decisive.

Undoubtedly, the pandemic and its global consequences have forced us to under-

stand the potential risks we face from now on and also how vulnerable we are, especially in the context of economic integration and where dependence on other economies is increasingly risky.

This new economic vision was first mentioned at a meeting of the Politburo of the Chinese Communist Party in May 2020, making it clear that the focus must now be on the domestic market to avoid depending as little as possible on a world that is increasingly unstable and even hostile to China.

This new strategic vision does not imply abandoning the export-oriented model, and instead is about combining both: as President Xi has said, by gradually creating a new development model in which the domestic economy will play a dominant role. The Fourteenth Five-Year Plan, 2021-2025, will pivot on this strategy.

Nevertheless, Xi Jinping has made it clear that this does not mean that China is closing itself off to the outside world.

So far, China has already signed 19 trade agreements with 26 countries and by January alone a total of 205 cooperation documents with 140 countries and 31 international organizations, most of them linked to the New Silk Road Initiative.

From 2021, under the 14th Five-Year Plan, we will be able to see whether the new version of the bird cage will work as well as the one designed by Chen Yun and which helped Deng Xiaoping to lay the foundations for the fastest and most formidable economic growth ever achieved in recent history.

PEDRO GETE / Professor and Chair, Department of Finance IE Business School and IE University.

Innovation in China. Lessons and Challenges

China has enjoyed spectacular economic growth over the last three decades, with per capita output growing from \$310 in 1989 to \$10,262 for 2019, an astonishing 3,310% growth. To avoid hitting the middle-income trap, when countries achieve a certain economic level and then begin to experience sharply diminishing economic growth rates because they are unable to adopt new sources of growth, the Chinese government has made innovation a top priority in its economic planning. Its strategy is inspired by the big push model put forward by Paul Rosenstein-Rodan in 1943 and then formalized by Kevin Murphy, Robert Shleifer and Robert Vishny, in an influential 1989 academic paper.

According to the big push model, countries require large investments in a wide range of industries if they are to enjoy sustainable development, while gradual strategies using small investments are a waste of resources. The reason for this is firstly that firms need to achieve a minimum size so as to be able to invest in new technologies. This is especially the case in industries with large fixed production costs. Secondly, firms in different sectors complement each other and can only grow if all of them do so, for example, because they buy inputs from each another, or because their workforces have complementary skills. Thus, governments have to give the private sector a big push so several industries can achieve the optimal size required to innovate at the same

time. In the words of Rosenstein-Rodan: "Launching a country into self-sustaining growth is a little like getting an airplane off the ground. There is a critical ground speed which must be passed before the craft can become airborne."

Beijing has adopted its own big push model and has been spending heavily on Research & Development (R&D) to upgrade and modernize China's key sectors through extensive government assistance. The goal is to transform China from "the factory of the world" that produced cheap, low-quality goods due to lower labor costs and supply chain advantages into a global leader in higher value products and services. China spent \$322 billion in 2019 in R&D, that is, around 2.23% of its gross domestic product. In comparison, according to the OECD, China is the world's second-largest R&D spender in comparative purchasing power terms: its total R&D expenditure reached 80% of that of the United States in 2019, up from only 26% in 2005. This trend is expected to continue. During a speech in March 2021, China's Premier, Li Keqiang, announced that R&D spending will increase by more than 7% per year between 2021 and 2025.

China's big push approach to innovation has created a network of innovation-oriented ministries and specialized agencies at national, regional and local levels. China's National Bureau of Statistics says that at the end of 2020, the country had 522 national key laboratories and 350 national engineer-



ing research centers in operation. The Chinese National Natural Science Foundation funded 457,000 projects and granted 3.6 million patents in 2020. Moreover, the country has a well-developed system of incubators, high-tech, science and technology parks, estimated to exceed 3,000 in number and which house companies engaged in enterprise R&D.

China's strategy has been a success on many fronts, making it a global leader in domestic patents, while developing cutting-edge technologies in several key sectors such as telecommunications, high-speed trains, e-commerce and mobile payments. It is an example of trailblazing development of the digital economy. That said, there are obstacles ahead.

The first is geopolitical. China's innovation successes have prompted a response from the United States. In 2020, citing national security concerns, Washington blacklisted dozens of Chinese companies and blocked global chip supplies to telecoms equipment giant Huawei. Then, in June 2021 the US Senate passed a far-reaching \$250 billion legislative package ("The United States Innovation and Competition Act") to increase investment in research and development in new industries like artificial intelligence,

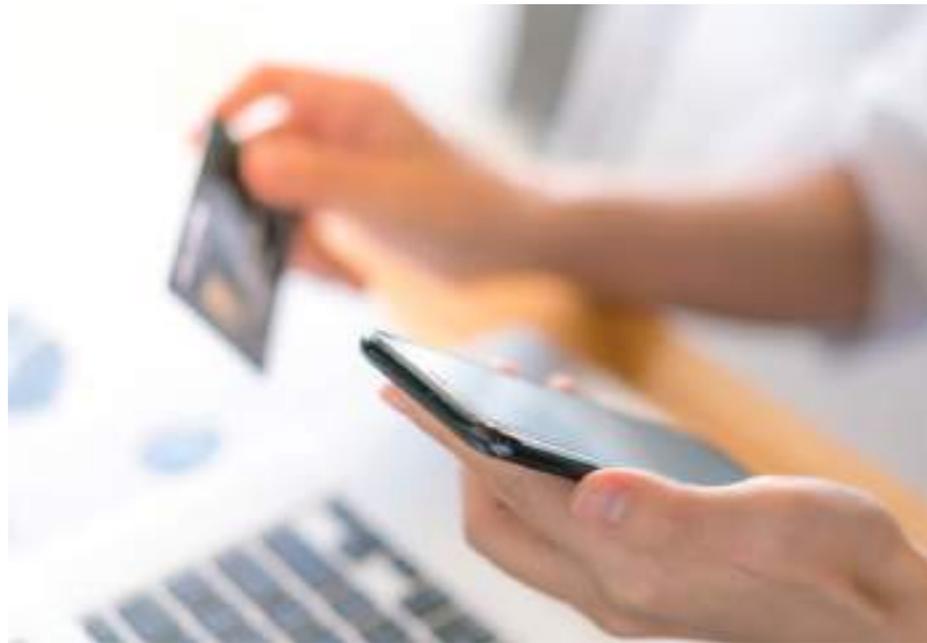


semiconductors, quantum computing, advanced communications, biotechnology and advanced energy. Washington's undisguised strategy is to give a "big push" to bolster US industry's ability to compete with China.

The second obstacle comes in the form of China's "involved" generation. Many Chinese, especially the urban and well-educated, seem locked in an endless cycle of unhappiness: children must keep up in the educational rat race, employees have to clock in an exhausting number of hours and parents feel intense pressure to provide their children with the very best. Involution, the opposite of evolution, has become a buzz word in China. In Chinese, this is rendered as neijuan, which is made up of the characters for 'inside' and 'rolling', conjuring up the image of a latter-day Sisyphus spinning the wheels of a perpetual-motion bicycle fixed to the floor and going nowhere. Disillusioned students and workers will not innovate.

Finally, there seems to be growing evidence that China's innovation big push faces structural problems that will not be fixed simply through more spending. A 2020 World Bank report lists several structural deficiencies, such as slow progress in the quality of Chinese patents or lack of innovative management practices. The World Bank recommends China invest more in basic research, as well as helping spread technology and improving managerial practices.

Nevertheless, despite the obstacles, I am optimistic for several reasons. The economic, social and cultural ties between China and the United States are so strong that cooperation will prevail over competition. At the same time, China can adopt labor regulations and welfare policies to address the concerns about involution: Europe has many examples to guide successful evidence-based policies in this regard.



“China's strategy has been a success on many fronts, making it a global leader in domestic patents, while developing cutting-edge technologies in several key sectors such as telecommunications, high-speed trains, e-commerce and mobile payments. It is an example of trailblazing development of the digital economy. That said, there are obstacles ahead”.

Finally, the reforms proposed by the World Bank are feasible if China strengthens its links with foreign business schools and universities. For example, China has around 1,000 universities that can conduct basic research. I have supervised talented graduate students who now work in them. China, by partnering with foreign educational institutions, can encourage its own schools to do original, frontier-pushing research, which is the base of scientific discovery. Research progress is grounded in cooperation and exchange. The same principle applies to improving management practices. Foreign business schools can help Chinese managers. The big push model is based on the assumption of the existence of large positive externalities across industries; the same logic applies internationally, especially in education and research.

REGINA LLAMAS / Associate Professor in the Humanities IE University.

The use and abuse of Confucian values

In a 1993 article in the Harvard Business Review, entrepreneur John Kao noted that, in his day when economists talked about the great economic centers of the world, they placed them in North America, Europe and Japan. He added that when economists discussed East Asia, they usually divided the region into three large economic areas that included Japan, the People's Republic of China, and the "Four Little Dragons"—South Korea, Taiwan, Hong Kong, and Singapore. In his article, Kao challenged this neat compartmentalization of East Asia's economic centers, arguing that most Chinese companies at the time were located outside the geographical area of the People's Republic of China, and scattered all over the world. Kao pointed out that among these companies, there was an underlying connection based on a common Confucian tradition and culture. And he added that if one were to measure the underlying cultural link connecting Chinese companies outside the People's Republic of China in economic terms, it would amount to the world's fourth largest economic power.

Much has changed since his article was published—China's economic development and increased capital investment have enabled the country to emerge as the world's second-largest economic power with a burgeoning middle class. Among the companies that have enabled this to happen are investors from the well-known Bamboo Network, which connects Chinese companies in Southeast Asia, as well as those in the so-called Greater China area, including Taiwan, Hong Kong, Macau and Singapore, as well as the People's Republic. Much

has also been written about how the ethnic tradition that unites all these Chinese companies is based on values that are conventionally accepted as uniquely Confucian and that affect the behavior and structure of the companies that are part of this network.

Most of the research done in the 1980s and 1990s focused on Chinese companies outside the People's Republic, and many of these studies compared the significance of interpersonal relations within East Asian companies with the individualism of American companies. There continues to be an unspoken tendency (at least I read it that way) to understand that this connecting thread formed by different companies in different parts of the world is also at work, tying these companies to the People's Republic. But the changes of the last century, or at least since 1949, have to be taken into account, especially with regard to the traditional Confucian values so closely related to the family structure in China. From the so-called May Fourth Movement of the early part of the 20th century onwards, many of the traditional ideas that held family structures together, such as the total authority of the parents in the marital decisions of their children, began to be rejected.

During the Cultural Revolution, the student-led campaign against the Four Olds (old thought, old culture, old habits, and old customs) attacked and denigrated many of these Confucian values. Some of these values never fully regained their status, including, for example, women's obedience to their husbands. The question that immediately arises is whether these Confucian values, that Kao considered



to be the common denominator on which the power of the Confucian tradition is based, and which have developed in more or less democratic countries, are the same values that emerged from the Maoist era. For example, are these values the same in the People's Republic as in Taiwan and Hong Kong, where the transition from a traditional to a modern society has been culturally and socially more organic and natural? And are the Confucian values held in the People's Republic the same as those of families who migrated to other cultures, such as the United States or Southeast Asian countries, and who did not live through the multiple political campaigns that shook the PRC? These are important questions, because from the end of the Maoist era to the present day, socio-political and economic change has affected Chinese values considerably, many of them in direct opposition to the one thing Kao claimed all these companies have in common: a Confucian understanding of the family structure and its values.

Confucianism as applied to family business is largely based on a conception of social and interpersonal relationships, and an understanding of a values system that influences people's





behavior. The aspects of Confucianism that are most often mentioned within this worldview system, are *li* (often translates as propriety), which refers to the rules of decorum within society and familial organization, and *ren* (humanity), which is one of the five virtues that define social relationships. Human relations are based on the so-called Five Human Relationships as established between father and son, sovereign and minister, husband and wife, older and younger brother, and friends. The maintenance of these correct relationships demands that the obedience of the son towards the father; the loyalty and duty of the minister to his sovereign; the submission and obligations of the wife to her husband, as well as the role of the older brother as model to the younger, and the trust between friends be upheld. While Confucius regarded these relationships as the model by which social and political order should be preserved, the first two between father and son and sovereign and minister were of primordial importance. These relationships entail reciprocity, but also the notion that control by the individual of their own personal desires and emotions will work towards the common good and preserve harmony within the family.

The objectives and the theories that back them up are not always applicable in practice. In modern times, given the social changes that have already taken place, the relationship between husband and wife is viewed with suspicion. But the relationship between father and son, and sovereign and minister, based on obedience in the first case and loyalty and duty in the second, are at the heart of the "paternalistic" ideal of the Chinese company. This is why it is important to understand how these ideals may have changed since, at least, the establishment of the People's Republic of China.

During the Cultural Revolution, many family relationships were destroyed. Sometimes the rift erupted between children and parents. For example, if a parent was too strict with their

children, a child could denounce the parents as "rightist." Sometimes the division was between spouses. For example, if one of the spouses came from a family of intellectuals, they would divorce to protect the rest of the family. And sometimes family tensions grew simply out of the stress of the existing social chaos. This same revolution during the 1960s and 1970s displaced millions of young (and not so young) people considered privileged by sending them from the cities to the countryside to "learn from the peasants."

In the 1980s and 1990s, during the Deng Xiaoping era, family planning policies also contributed to dramatic changes in families (the one-child policy), and the development and liberalization of the economy exposed the economic (price per square meter) and social (lack of space in houses) difficulties required to support large families. The redefinition of family and marriage laws adopted at the beginning of this century also influenced the family structure. While most of these changes affected the urban population, the millions of young men and women migrating from the countryside to the cities forced to leave their children in the care of their grandparents is another factor that has contributed to reshape the Chinese family. The causes are innumerable and the literature vast, and unfortunately there is no space in this short article to expand on this very complex subject. But what I would like to point out is the persistence of the notion that the common thread that unites Chinese business culture throughout the world is based on a number of Confucian values attached to an essentially unchanging familial structure championed by Confucius as a model for the social and political world. Changes that have occurred in the last century, whether social, political, legal or simply economic, have greatly influenced the makeup of the nuclear family and should make one suspicious of these claims. The Confucian ethics that have kept the family conscious of its responsibilities have changed into something that has yet to be defined. There are

innumerable signs that this is happening—from the campaign by the Singapore government to promote and reinforce filial values and help the government cope with the increasing neglect of elders in the family (<https://www.youtube.com/watch?v=ybxNkpS5q-g>), to the newest policies in China to reverse the declining birth rates. I think we can infer with a certain degree of confidence that Confucian family values are continuously being redefined, and are subject to change according to what milieu nurtures them.

For example, how are we to understand families who are the product of the one-child policy and who have no uncles, cousins, or siblings? What values persist and what values are discarded by families in other parts of the world? Or those in the Greater China area? Much of the rhetoric still used to discuss the unique values of the Chinese (familial or not) business model reverberates with those studies, like Kao's, carried out in the 1980s and 1990s (and earlier ones on Japan after World War II). And yet, while we are dealing with a very different society, with a different structure and different aspirations, we still hear these same arguments repeated without much thought or depth: "If you do not understand Confucian philosophy on the construction of [the Chinese] organizational system, you have no chance [of achieving] sustainable [returns] when your company grows to a certain size." Or "Without the philosophy of Buddhism, you cannot do well when your business grows to a certain extent." What Buddhism has to do with business is anyone's guess. (https://www.centennialcollege.hku.hk/f/upload/3313/Alibaba_18_003%20Case&TN.pdf).

In other words, the insistence on the uniqueness of the Chinese business model based on the uniqueness of a Chinese Confucian values system seems to be a grandiloquent and artificial claim intended to define, differentiate, and separate models of doing business that have been mixing and matching for too long. It has become a manner of speech, a hollow cultural convention, albeit an enduring one.

LISA WANG / Founder of Link The World Advisers.

Why cultural identity is key to understanding Chinese entrepreneurs?



With €23.8 billion invested in overseas M&As in 2020, China is the second-largest investor in the world. Despite a drop in Chinese foreign investment globally (the figure for 2019 was €43.5 billion euros) due to the Covid pandemic, which has seen a fall of 44% in Europe, Chinese investment in Spain has soared by 362%, increasing from €66 to €304 million in 2020.

The main areas of opportunity for Chinese investors abroad include transport and infrastructure, environment and clean technology (renewable energies, electric vehicles), health and biotechnology, education, as well as consumer sectors (food and beverages, cosmetics, etc.).

One of the key factors that explain the drive of Chinese entrepreneurs to enter new markets is that, in general, Beijing encourages direct investment of Chinese capital abroad, except for sectors that do not constitute the core business of Chinese companies, such as real estate or leisure and entertainment. In other words, Chinese companies go international with the

aim of reaching new markets and obtaining new products, technologies, business models, etc.

At the same time, it's worth highlighting the role cultural identity plays in the growing expansion of Chinese companies, as it has a decisive influence on the way Chinese entrepreneurs do business:

- An orientation toward people. Relationships based on trust are central to Chinese cultural identity. Mr. Zhiping Song, former chairman of both the Chinese Building Material Group and Sinopharm, explains: "Businesses should not only maximize profitability and pay their taxes. The most important thing about a company is its ability to provide a good life for its employees."

- Adapting to the environment. In line with the previous point about trust, Chinese entrepreneurs are good at developing relationships with local or regional governments and place more importance on the information they obtain through these connections and their networks of family and contacts than they do on formal research.

- Hierarchy, responsibilities and problem solving. Chinese business leaders respond to problems and assume their responsibilities while also taking care of the welfare of their employees. At the same time, the hierarchy allows for boss-centered decision making, which is more streamlined than Western structures, where the board of directors tends to be collectively responsible for strategy.

- Hard work and perseverance. Another common denominator of Chinese entrepreneurs is

that they build their companies from scratch, and despite their success, keep their feet on the ground, tending to take a long-term approach to growing the business.

- Ability to learn and a practical approach. Chinese entrepreneurs tend to be pragmatic and are able to adjust quickly to the kinds of changing and uncertain environments that typify China's economic growth over the last four decades. As a result, Chinese entrepreneurs tend to put a business proposition with a clear and practical purpose above one that fits into a contract document.

Nevertheless, these kinds of cultural hallmarks, which have led Chinese companies to succeed in their own country, may not be enough in an increasingly globalized and rapidly changing world. Chinese leaders are increasingly aware that they have to offer value propositions that differentiate them on today's aggressive international stage: it is no longer enough to compete on price or product quality, but instead, through other advantages such as a new business model, technological development and innovation.

Among the keys to success in China is recruiting a local team and delegating some aspects of decision-making, as well as leading through innovation, as Huawei has done with 5G technology. The vice president of Kanghong Pharmaceutical Group, Mr. Jinqun Yin, once said, "Chinese pharmaceutical companies were followers of multinationals, but they must change their thinking model and learn to lead the future through innovation."

Most international experts predict that the Chinese economy will grow by over 6% in 2021 on the previous year. The best way to continue attracting an important part of this capital to Europe and Spain is through an in-depth understanding of the way in which Chinese entrepreneurs do business and what their areas of interest are.

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