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# FRAMEWORK FOR FEMALE ENTREPRENEURSHIP IN CHINA

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Key words: Female entrepreneurs, women entrepreneurship, institutions, pull/push factors, China

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# FRAMEWORK FOR FEMALE ENTRENEURSHIP IN CHINA

## Abstract

Entrepreneurial activity by women in the People's Republic of China has become more active in recent years with much greater attention being paid within and outside of China. Academic research has sought to describe current conditions and future trends; however, there has been little systematic research done in this area. The aim of this article is to provide a clear picture of the general background and characteristics of Chinese female entrepreneurship based on Eastern cultural features. In addition, an entrepreneurial conceptual model about mainland Chinese women's entrepreneurial activity is presented and a case study is used for illustration.

**Keywords:** Women, Entrepreneurs, Institutional Environment, Internal Characteristics

## **1. Introduction**

The world today is paying more attention to the economy of the People's Republic of China (hereinafter cited as "China") due to its rapid growth and internationalization. At the same time, a new entrepreneurial epoch in China is coming: women entrepreneurs are playing an increasingly important role in the global economy (Orlova, 2004). An example of this emergence is 49-year-old Zhang Yin, who topped the *Huron Report's* China Rich List in 2007 with a personal fortune of US \$3.4 billion, making her the richest self-made woman in the world (Hurun Report 2007). *Forbes* latest list of the richest Chinese businesspeople showed that the proportion of women listed grew from 4% to 7% from 2004 to 2007 (*Forbes China*, 2007). In fact, women entrepreneurs represent only 20% of the all Chinese entrepreneurs even though 98% of these women are ultimately successful (Shi, 2005).

A GEM (Global Entrepreneurship Monitor) China 2002 study, which included 37 participating countries, stated that the TEA (total entrepreneurial activity) index for the average in the sample was 6.9%. China compared favorably with 11.16% for Chinese

female entrepreneurs. The TEA for Chinese females was the sixth highest in the study, showing that Chinese female entrepreneurial activities are on the rise (Shi, 2005).

In the late 1990s, several nationwide studies of female entrepreneurs were launched in China: Chinese Entrepreneurs Investigation System, the Association of Women Entrepreneurs in China and the All-China Women's Federation. Issued in 2001 and 2002 by the Association of Women Entrepreneurs, the Women Entrepreneurs Development Reports analyzed China's women entrepreneurs' developmental situations, and the factors and trends from the macro-point of view. Based on this report, Shi (2001) summarized the growth of Chinese women entrepreneurs as belonging to one of the following groups:

1. State-owned managers who gained company share or options through system reform;
2. Enterprise managers or self-employed persons who started ventures by having mastered core technologies or who accumulated a small amount of capital and developed their businesses by snowballing them;
3. Domestic or overseas university students who finished their educations and decided to start venture-based operations due to increased demand for highly-educated entrepreneurs because of the rapidly changing industry structure;
4. Laid off workers who created start-ups to capitalize on prior industry experience;
5. Technical experts in foreign- and state-owned capital enterprises who utilized their own technological and managerial experiences to start their own enterprises.

In addition, other researches have focused on the human characteristics associated with foreign female entrepreneurship, including female values influencing modern enterprise management; differential, gendered leadership modes; and the problems and measures associated with Chinese female entrepreneurship (Chen, 2001; Zhou, 2002; Dong, 2004).

Another line of research has focused on the micro-level. Ren and Chen (2006) found that three different women's groups—educated professionals, university students and unemployed women—shared some basic, common characteristics. In the service industry, the most coveted business sector for women entrepreneurs, the importance of

dealing with capital, marketing and location choices were highlighted. Furthermore, just as similarities existed among the three female groups, many differences were also identified: motivations, conditions, directions and expectations of entrepreneurial ventures among women entrepreneurs.

Tong and Chen (2004) summarized Chinese women entrepreneurial motivations: better living, personal success and independence. They stated that women entrepreneurs, especially those with low education, fell into the motivational category for better living, had above-average expectations for income due to a previous lack of income and desired psychological security. Less-experienced women entrepreneurs often had comparatively lower income expectations when compared to experienced entrepreneurs, and also strove for non-monetary and intrinsic goals. Cai and Zhao (2005) further illustrated the relationships between and among gender and enterprise scale, entrepreneurial duration, industry, and the entrepreneurs' educational backgrounds.

The research on Chinese women entrepreneurship is still in its infant stage. The major focus, thus far, has been on qualitative descriptions of the main achievements and simple quantitative analyses of the entrepreneurial phenomenon. This paper contributes to the literature by providing a conceptual framework of Chinese female entrepreneurship integrating both behavioral and institutional factors.

## **2. Theoretical framework: an entrepreneurial model for Chinese women entrepreneurship**

The psychologist Kurt Lewin (1946) demonstrated that behavior (B) is the function or result of an interaction between person (P) and environment (E), which can be formulated as  $B = F(P \cdot E)$ . The entrepreneurial behavior is a kind of decision behavior based on a special personal quality and stimulated by external and internal factors (Zhang, 2003).

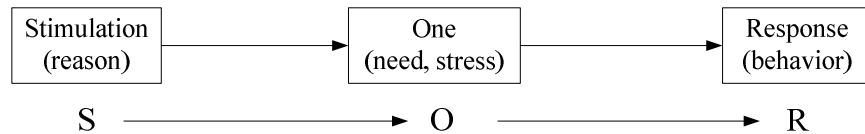
Entrepreneurial external stimulation can be thought of as the influence by the external institutional environment. Shane (2003) pointed out that the institutional environment includes the 'rule of the game' that economists believe generates incentives of certain types of action. Baumol (1990) argued that society's rules and norms create incentives that influence the form that entrepreneurial activity takes. In the end, the institutional framework influences an individual's decision-making capabilities by signaling which choices are acceptable as well as determining which norms and behaviors are socialized into individuals in a given society (Baughn, 2006).

Entrepreneurial internal stimulation is characterized as pull or push factors based on different personal position, nature and desire. Push factors refer to necessities such as unemployment, redundancy, recession, financial reasons (inadequate family income), dissatisfaction with current employment, or the need to accommodate work and home roles simultaneously. Pull factors are related to a need for independence, need for achievement, financial reasons (desire for wealth), personal development, self-fulfillment, social status and power (Glancy, Greig, and Pettigrew, 1998; Hansemark, 1998; Sarri, 2005).

Entrepreneurial decisions and a venture's development during its early stages are highly related to an individual's characteristics (Moore, 1990). Individual personalities will influence the likelihood would-be entrepreneurs will exploit potential opportunities, though any specific opportunity will inevitable be refracted through the filters of people with different personality traits, affecting conclusions about potential success (Shane, 2003).

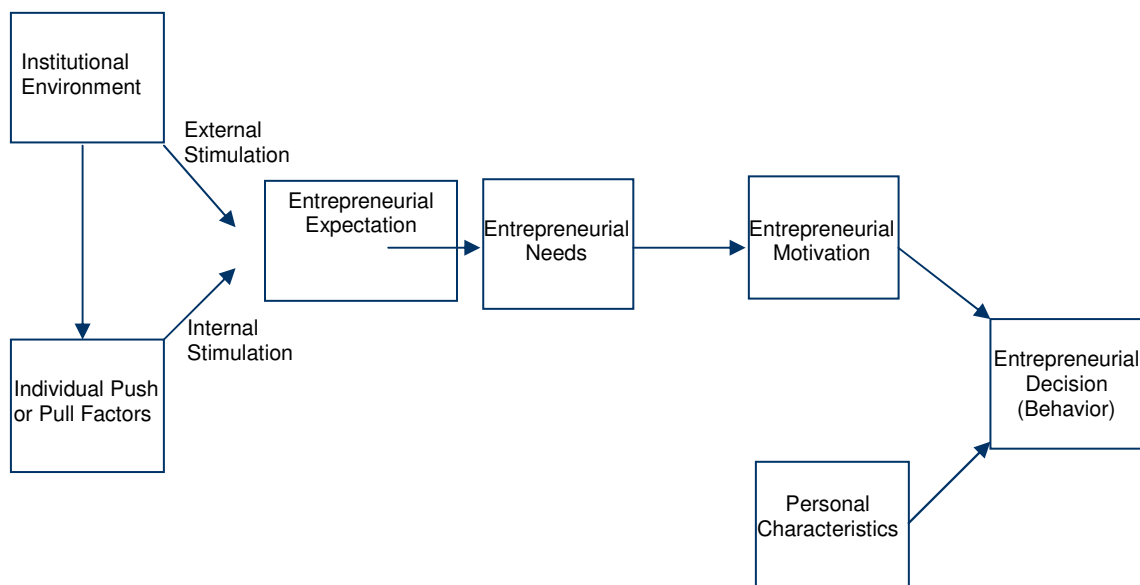
Behavioral psychologists point out that motivation originates from internal and external stimulation. As well, analyzing behavior should start with need and motivation; Figure 1 details the research model, described as  $S \rightarrow O \rightarrow R$  (Skinner, 1951; Watson, 1913).

Figure 1. *Basic model of behavior*



The institutional environment and internal motivations caused by push and pull factors stimulate the potential entrepreneur’s expectations. The gap between expectations and reality leads to entrepreneurial needs, which determine entrepreneurial motivation. It is motivation that gives rise to entrepreneurial decision directly; in addition, personal characteristics add variance. The entrepreneurial framework model based on institutional and behavioral components is illustrated in Figure 2.

Figure 2. *Entrepreneurial decision model based on institutional theory and psychology*



The model in Figure 2 shows that entrepreneurial behavior is impacted by both motivation and personal characteristics. Entrepreneurial motivations, in turn, are underpinned by the institutional environment as well as push and pull factors. We use the framework in Figure 2 to examine specific factors associated with female entrepreneurship in China, focusing on institutional environment and personal characteristics.

Pull factors include interest in business, self-fulfillment, personal control, and maintaining technological skills (Tong and Chen, 2004). Entrepreneurs motivated by pull factors often resign from their stable work environments to create their own new ventures by taking advantage of their accumulated financial savings as well as technological skills or management experience. Push factors include low income, future limitations on employee opportunities, loss of employment, and too much competition for jobs (Hu and Zhu, 2006). Push and pull factors were prevalent in the transformation of China.

The interaction of internal and external factors determines personal entrepreneurial behaviors. External institutional environment and internal push or pull factors stimulate a person's expectations and create the existence of entrepreneurial need, resulting in the formulation of entrepreneurial motivation. Motivation and personal characteristics combine as possible factors, which together lead to entrepreneurial behaviors (Ahl, 2006).

### **3. Changing institutional environment for female entrepreneurship**

The level of a country's entrepreneurial activity can be seen as being embedded in its economic, socio-cultural, and legal framework making up its institutional character (Baughn, Chua, and Neupert, 2006). That institutional theory may be a particularly apt



framework for addressing entrepreneurial activity has been well established (North, 1990; Scott, 1995; Wright et al., 2005). Additionally, ideologies such as gender equality as well as the special legal, policy, and economic influences in the transitional economy of China provide a unique institutional environment for Chinese women to pursue entrepreneurial activities.

### *3.1 Legal, ideological and policy change*

Chinese women have endured gender discrimination through thousands of years of feudal society and hundreds of years of semi-feudal, semi-colonial society. Chinese women have never possessed real economic power and have instead depended on their husbands or fathers for survival. This dependent relationship, part of the Chinese institutional character, made Chinese women become males' accessories; thus, women have been denied both dignity and business rights. As a result, before the People's Republic of China was founded, there were hardly any true women entrepreneurs.

After the founding of PRC in 1949, however, the socialist system and laws facilitated a high level of women's participation in both political and economic life (Li, 1998). The Chinese government eliminated discrimination against women and advocated gender equality by legal, administrative and educational means. The longstanding traditional opinion that women could not engage in business was finally dismantled.

Since 1949, the state has issued a number of regulations and laws to provide protection in the workplace for women by ensuring equal opportunities (Cooke, 2001), including the PRC Women's Rights Protection Law, the PRC Labor Law and the Women's Work Protection Regulations. Two decades of economic reform, ideological, legal, and experiential preparations paved the way for Chinese women entrepreneurship. Full access

to education has also improved women's entrepreneurial capabilities. The nine-year-long compulsory education requirement in China has been more rigorously enforced to enable all girls to go to school, although enforcement of the law in rural areas still needs improvement.

By the mid 1990s, Chinese institutions were considered to have a higher level of gender equality than Japan, the UK, and the USA. Others claimed that permanent fulltime work is the norm for all adults, irrespective of sex, and there also exists a high degree of egalitarianism in family roles (Stockman, Bonney, and Sheng, 1995).

The proportion of women employees in China is about 44%, which is higher than the world average of 34.5% (Hu and Zhu, 2006). The number of highly educated women is rising: 42.4% of all college students are female, while 55.27% of all high school students are female (Association of Women Entrepreneurs in China, 2002).

Recently, a series of entrepreneurial policies specific to motivating female entrepreneurial activity have been formulated and carried out by the Chinese government. These policies include subsidies for professional training, small-loan guarantees and also preferential tax treatment, providing beneficial conditions, an incubator of sorts, for women entrepreneurs (Information Office of the State Council, 2005). Once a woman has gained her entrepreneurial training certification, new bank loans can be guaranteed without the requirement of providing collateral on her personal property. In the developed province of Jiangsu, for example, regulations are in place so that loan departments in banks and credit guarantee organizations will cooperate and give priority to supporting women entrepreneurs via a simplified process. Women entrepreneurs who own larger-scale enterprises can get loans by means of property collateralization and

government guarantee. For smaller enterprises a special preference, a credit guarantee, will be supplied through joint guarantees or loan insurance. In addition, enterprises created by laid-off women as well as labor-intensive enterprises that employ more laid-off women will receive special opportunities for loan services. Too, projects offering funds for encouraging entrepreneurship, entrepreneurial knowledge and skill training for women entrepreneurs have been initiated. (Woldie and Adersua, 2004).

Social organizations play an important role in encouraging women's nascent entrepreneurship. These organizations encourage women to take advantage of transitional economic opportunities to start new ventures which rely on specific programs designed for women. In these special programs women entrepreneurs are supplied with entrepreneurial skills, information, laws, and capital support to assist their development, for example, through the Women's Successful Career Program, the Women's Innovation and Entrepreneurship Program, and the Outstanding Women's Entrepreneur Program. These programs are all administered by the All-China Women's Federation and the Association of Chinese Women Entrepreneurs.

Several training and support centers for female entrepreneurship have been established throughout the country. The Women Entrepreneurship Guiding Centre was established in 22 provinces, 5 autonomous regions and 4 centrally administered cities and plays an essential entrepreneurial service role. The Tianjin Women Entrepreneurs Centre, supported by programs from the United Nations Development Program (UNDP) and the World Bank, was initiated in 2000 as a powerful and comprehensive women-owned enterprise incubator in China. The goal was to extend the incubator mode to assist the development of women's entrepreneurship.

At the 2004 Global Forum on Business Incubation in New Delhi, the Tianjin Women Entrepreneurs Centre promoted the establishment of the InfoDev Women's Business Incubation Alliance program and subsequently set up a group within the Wuhan Women New Technology Entrepreneurship Centre.

### *3.2 Economic system change*

Since 1949, when the People's Republic of China was founded, the development of the private sector has gone through several permutations. During the transformation stage (1949-1977), the entire economic system was completely transformed to a state-owned and collective economy at the expense of private enterprise. In the recovery stage (1978-1994), with the twinned policy of reform and more-open access to foreign capital investment being put into effect, the private sector was removed from the overt control of a centralized planning system and grew steadily, despite many difficulties.

In April 1988, the private sector of the economy gained legal status under the Constitution of China. In the same year, the Private Enterprises Temporary Regulations in China was issued. From 1989 on, private enterprises were to be registered by the State Administration for Industry and Commerce: a total of 90,581 private enterprises were registered in the first year alone. From 1995 onward, the development of the private sector has accelerated and now the private sector of the economy is the fastest-growing segment. The greatest growth occurred right after the market-oriented economy was officially established with many related policies issued by the government, especially the Small and Medium-Sized Enterprises Promotion Law.

According to the State Administration for Industry and Commerce of the P.R.C., from 1993 to 2007 the number of private enterprises in China increased 33 times, at an average

annual growth rate of 28.87%. In June of 2007, private enterprises in China totaled roughly 5,205,000. From 2001 to 2007, the average growth rate of total industrial output by private enterprises was 31%, while the average rate of tax paid by private enterprises increased to more than 20%. In 2007, the proportion of private enterprises was more than 59.4% of the total enterprises in China, with output value accounting for 59% of GDP. In the same year, production output by private enterprises accounted for 60% of total retail goods, and the ensuing taxes accounted for about 50% of total tax revenue (State Administration for Industry and Commerce of the P.R.C., 2007).

With the development of the private sector, the business environment in China has changed greatly, for female entrepreneurs and others. Economic reform has resulted in a large number of business opportunities that encourage private enterprises to grow not only in large numbers, but also in and throughout broad business sectors. Economic reform has not only promoted a market-oriented economy, but has also fostered the entrepreneurial spirit. The ability and foresight needed to seize on an opportunity, marshal the resources needed, and execute a strategy are regarded as driving factors in the process of entrepreneurship (Timmons, 2003). The Chinese transitional economy has provided Chinese entrepreneurs a unique market opportunity. The changing laws favoring female entrepreneurship coupled with growing opportunities for private industry have propelled some women entrepreneurs to take advantage of market voids and to break away from traditional restrictions on female entrepreneurial ambition.

### *3.3 Industrial restructuring and the new economic order*

Industrial restructuring and the reform of state-owned enterprises have largely pushed women forward into the service- business sector. For decades, China's economic

structure was inclined towards industry and agriculture, but now this is changing. With the advent of a knowledge-based economy and information-enriched society, the old traditional industrial structure has lost its relative prominence. As a result, a large number of women have been laid-off from state-owned enterprises, for example, in the textile industry, which had redundant personnel for decades. In a survey conducted by Giles, Park, Zhang (2005), it is reported a 22% unemployment rate in the industrial city, Wuhan, with female unemployment 4% higher than male.

Motivated either by maintaining a living or by personal ambition, some laid-off women decided to enter the service business because of its low entry barriers and wide development opportunities. Women entrepreneurs in the service business accounted for 45% of the total women entrepreneurs surveyed by the Association of Chinese Women Entrepreneurs (2002).

The new regional economic strategies in China today will likely create more opportunities for women entrepreneurs in the future. Since President Hu Jintao took over leadership in 2003, a more balanced development of the economy has been urged by the Chinese government. The strategy has included revitalizing the Northeast's antiquated industrial base, strengthening the development of the central Chinese provinces, and encouraging development of the vast, less-developed Northwest. Abundant resources and vast markets in these areas plus favorable government policies have presented attractive business opportunities for entrepreneurs, including, especially, women (Entrepreneurship Research Centre of Tsinghua University, 2006).

After China became a WTO member in November 2001, new global trade rules were established in China regarding foreign and domestic capital. Not only would industries

that are available to foreign capital be opened to domestic capital, but also any industry that had not been previously available to foreign capital, such as the service sector, would give its priority to domestic capital. Therefore, the service sector where women entrepreneurs are very active has provided abundant development opportunities.

A relaxation of industrial control by the government has provided opportunities for women entrepreneurs in labor-intensive industries as textile and clothing where women were traditionally employed. Exports from China in this area are growing rapidly, resulting in global entrepreneurial opportunity for women who choose this market.

Patel (2000) has suggested that women have an advantage over their male counterparts in a service business because of their natural intuition, flexible personality and harmonization trait. 36.8% of all service business employees in the world today are women (Guan, 2003).

In sum, a new economy has created a favorable environment for women entrepreneurs. The fast expansion of women entrepreneurs' activities is widely seen in areas such as medicine, social services, consulting, insurance, real estate and education. In the city of Shanghai, for example, the high-tech industry accounts for 18% of the total women entrepreneurs in private enterprises. These women normally have good educational backgrounds and are skilled in technology and marketing, which has made them a valuable force in developing high tech industries (Shi, 2005).

#### **4. Characteristics of women's entrepreneurship in China**

Chinese female entrepreneurs tend to be aged 25-44, emphasize education and knowledge, balance work and family lives, are service-business oriented, and are often entrepreneurs by necessity.

#### *4.1 Demographics*

Chinese women's TEA index is the highest for the age group of those 25 to 34, followed by those aged 35 to 44, with these two groups accounting for 63% of all women entrepreneurs (Shi, 2005).

From an educational standpoint, 45% of the women were from universities and colleges, possessing foreign language skills more often than male entrepreneurs. Generally, Chinese female entrepreneurial activity is influenced by educational background and women with secondary or higher education had higher TEA indexes than did other women (Shi, 2005). A recent study of women entrepreneurship stated that from a women entrepreneurs' point of view, the accumulation of knowledge plays a more important role than does wealth accumulation (Women Federation of Suzhou City, 2003).

Reports on female entrepreneurs' family and marriage status show that 90% of the surveyed women believe that a happy family is the base for a successful business. Many women entrepreneurs firmly believe that "the criterion of successful women today is the success on family and marriage as well as career," and believe they can achieve a win-win situation in this area (Women Federation of Suzhou City, 2003). Most women entrepreneurs' husbands approve of their wives' business careers (66% of the time), while 27% of couples actually manage their enterprises together (Association of Women Entrepreneurs in China, 2002).

#### *4.2 Capital*

Although Chinese women entrepreneurship developed rapidly, a shortage of capital has limited its development, with half of women entrepreneurs perceiving the biggest difficulty as a lack of capital. One-third of women entrepreneurs' capital originates from



savings and one-third of their capital comes from the support of relatives and friends. The final one-third derives from external funds such as government support or bank loans (Shi, 2005).

#### *4.3 Industry and performance*

Women entrepreneurs mainly focus on sectors that include restaurants, wholesale, retail, and information services (Entrepreneurship Research Centre of Tsinghua University, 2006). 90% of women-owned enterprises are traditional industries with lower technological barriers to entry; women entrepreneurs amount to almost 45% of all those in the service sector. Interestingly, women-owned enterprises generally performed better than did similar enterprises owned by men, and of the 1.5 million surveyed women-owned enterprises only 1.5% claimed to lose money (Shi, 2005).

#### *4.4 Work status and satisfaction*

The solid performance of women-owned enterprises is often a result of their diligent work. All women entrepreneurs work more than 8 hours a day, and 50% of them work more than 10 hours a day. The longest average work time is 17 hours a day. Even with only 2.45 hours of free time a day, 57.5% of them still find time to read and 12.5% of them study markets on a regular base. In spite of their long hours of hard work, most women entrepreneurs give themselves high marks in self-evaluations, believing that they are quite qualified to run business and are satisfied with their economic, social and political status (Shi, 2005).

#### *4.5 Entrepreneurial motivation and type*

The pull/push model is a common way of explaining different motives behind the reasons women start businesses (Buttner and Moore, 1997; Brush, 1999). It is normally

thought that push factors are related to the motivation under which the situation presented should be changed because of some disadvantages. On the other hand, pull factors are related to the motivation that originates from actively pursuing good prospects (Fei, 2005).

Current research findings reported in the Chinese Common People's Entrepreneurship (2006) Investigation Report states that success-fulfillment, wealth and concerns about living standards are the top three entrepreneurial motivations. This finding is suitable for both females and males: their entrepreneurial motivation has no obvious difference.

Entrepreneurial types identified as either opportunity-oriented or living-oriented entrepreneurship by GEM is closely related to entrepreneurial motivation. Opportunity-oriented entrepreneurs think that founding start-ups is a kind of career choice, while living-oriented entrepreneurs have no alternative but to strike out on their own. Living oriented entrepreneurs are entrepreneurs by necessity, rather than because of perceived opportunity.

While the GEM China 2002 indicates that the Chinese women's TEA index is 4.26% higher than the average and ranks sixth among all the 37 participating countries in the study, it also reported that Chinese women's living-oriented TEA index is far higher than the GEM women's average TEA index; further, the opposite is true with regard to the opportunity-oriented TEA index (Shi, 2005). Therefore, entrepreneurship in China is currently classified as "poverty push" rather than "opportunity pull." In other words, the main motivation is to solve living problems rather than to pursue personal success (Zhang, 2003).

GEM interviewed entrepreneurs whose ventures were founded less than 3 1/2 years ago and the findings are in line with the conclusions listed above. The samples of enterprises are mostly in the starting stage and entrepreneurial risk has not yet been eliminated. Living-oriented motivation summarized by GEM can probe common people's basic mentality on participating entrepreneurship in developing China, which showed that when compared with developed countries, improving their personal living standard is still the entrepreneurial goal for many.

#### *4.6 Core values and personality*

It has been suggested that people of Chinese ethnic background have a set of core cultural features (Patel, 2000). The four distinct eastern cultural values identified by Bond and his co-researchers are integration, Confucian dynamism, human heartedness and moral discipline (The Chinese Culture Connection, 1987). It is reasonable to argue that Eastern cultural values together with the personal characteristics of Chinese women do have a profound impact on their entrepreneurial behavior.

Integration is considered to have a socially stabilizing effect and includes features such as tolerance of others, harmony with others and contentedness (Gerrard, Schoch, and Cunningham, 2003). Chinese women follow the traditional rules of tolerance, cooperation and dedication to maintain their relationships with others. 33% of women entrepreneurs believe they have the advantage of harmonious interpersonal relationships (Shi, 2005). The above features certainly help Chinese women entrepreneurs to formulate harmonious corporate cultures, which may well be the basis of their high success rate as a result of satisfied employees and customers.

Confucian dynamism reflects Confucian work ethics, and includes important features such as persistence, thrift, order among relationships, as well as having a sense of shame, saving face and respect for traditions (Gerrard, Schoch, and Cunningham, 2003). Confucian dynamism, however, was found to be highly correlated with broad measures of economic growth, and Hofstede and Bond (1988) concluded that Confucian dynamism was a contributor to the economic development of the five Dragons of Asia. In Confucian dynamism, the features of persistence, thrift and self-respect are the more important parts of Chinese women's value system.

All three features of dynamism play their own roles in creating an individual personality, which is of course different for every entrepreneur. The need to establish an order among relationships can be helpful when running ventures according to specific regulations or codes. Thrift is another feature of Confucian dynamism, usefully seen as the foundation for reducing entrepreneurial risk and developing a solid footing for ventures. Finally, the most dynamic trait is that of persistence, which makes women entrepreneurs pay more attention to long-term benefits and developments for start-ups. They strive unstintingly for their business ideals in spite of temporary difficulties and setbacks. 45% of women entrepreneurs report that persistence is their entrepreneurial advantage over their male counterparts, and only 1.7% of the women entrepreneurs would not want to start a business if asked to choose again, which illustrates a high level of confidence and persistence (Women's Federation of Suzhou City, 2003).

Human heartedness embodies a blend of values that encompass gentleness and compassion, kindness, and patience. Some of these values actually have a legalistic flavor such as the sense of righteousness (Gerrard, Schoch, and Cunningham, 2003). This

righteousness would lead to understanding and trust by partners in establishing a stable long-term relationship. In addition, being righteous, sincere, and earnest are keys to the success of a women entrepreneur (Kantor, 2002). At the beginning of economic reform in China, being sincere and earnest actually was the basis for corporate growth in the face of an undeveloped credit system. Generally speaking, women entrepreneurs pay far more attention to their credit rating than do males, and 98% of women entrepreneurs investigated think that credit is related to survival or extinction for ventures. This credit-awareness feature among women entrepreneurs may turn out to enhance their competitive ability in business (Women Federation of Suzhou City, 2003).

Moral discipline is a value that reflects moral constraints such as adaptability, prudence, and moderation in having only a few desires (Gerrard, Schoch, and Cunningham, 2003). Normally, Chinese women entrepreneurs do not focus on power like males do; instead, they usually succeed with prudence in combination with a low-key and steady manner. They decide every business decision carefully and have a realistic objective. Furthermore, Chinese women have a special kind of natural instinct for protecting themselves and start-ups' reputations in order to avoid failure.

## **5. A case study**

To illustrate the impact of the environmental background and personality traits for women entrepreneurs at the time they establish business, we focus on the experiences described by the general director of Changchun Changbai Information Technology Co., Ltd (CBIT). Our data sources include previous studies, personal communications, and public documents from the company. While a single case study is not sufficient for

widespread generalizations, it provides us with additional depth that can be instructive for future research (Yin, 1994) as well as for pedagogy (Ellet, 2007).

General Director Sun Shuyun founded CBIT, whose businesses currently focus on computer software development, computer network systems' integration, and on-line Internet incremental services. Due to CBIT's tremendous success, Sun Shuyun has received awards for Outstanding Achievement for Private Entrepreneurs of China and Outstanding Woman Entrepreneur.

### *5.1 External entrepreneurship environment*

Sun Shuyun was born after 1949 when PRC was founded and therefore her educational background is based on the newly developed education system. Her strong belief in gender equality and the need for independence provided strong motivations for entrepreneurship. Although her family was poor, she passed the college entrance examination and became successfully enrolled as a student at Jilin University of Technology thanks to her hard studying.

After graduation, she worked for 22 years in an electronics factory as an engineer. As the years passed, she started to pay more attention to the regulation and protection of the rights and benefits of private enterprises.

These private enterprises did not start to develop rapidly until the passage of laws protecting the rights and benefits of the private-sector economy in the Constitution of the PRC in 1982. At that time, the salary of engineers like Sun Shuyun was only 100 Yuan per month.

Being a mother of two children, she was eager to change the financial status of her family. Moreover, as she was the technology backbone of her company, she felt undercompensated for her ideas about R&D under the state-owned system.

Sun Shuyun soon realized that establishing her own enterprise was a rare opportunity that not only could change the status of her family but could also help her realize self-fulfillment.

In 1992 when an important speech on furthering the economic reform to build a market economy with Chinese characteristics was given by the late leader, Mr. Deng Xiaoping, the quarrel over private-sector economic development was finally resolved. A new model to develop a market-oriented economy was established, which promoted the development of the private sector economy. As a result, the appropriate policy and legal environment for a vibrant private sector economy started to develop, and Sun Shuyun recognized that her entrepreneurial opportunity was coming.

Because of her experience, Sun Shuyun was familiar with information technology and knew its early prospects. Furthermore, the beginning of 1990s was the initial stage of the IT industry in China and many opportunities existed; Sun Shuyun decided to be engaged in this new market.

### *5.2 Entrepreneurial experience and personality*

Although the IT industry is a promising one, one must have sufficient capital to enter the industry, and it is not always easy. For Sun Shuyun and her husband, who supported their family with their meager salaries, a hundred thousand RMB startup cost was unimaginable. To deal with this capital shortfall, she decided to enter the garment retail industry using her entire savings of several thousand RMB. She took a train every

Saturday to the clothing wholesale market more than 400 km away from Changchun, and returned home on Sunday carrying several big bags on her shoulder. Her schedule was hectic, selling clothes at an outdoor market every morning and night, working as a unit director at her institute during the daytime and looking after her children's studies and lives in her free time.

The hard work paid off, and she finally earned one hundred thousand RMB during her first year. It was this valuable first sum of money that made her IT dream come true. At last, she founded the Changchun Changbai computer company in 1992. After careful market research, she decided to enter the computer room construction sector as it was widely open. However, a challenge occurred in her first contract that needed to be negotiated. In order to build trust, she chose to lose money rather than lower her standards to meet the request of her customers; as a result, the company lost 50,000 Yuan on the project.

Sun Shuyun persevered in spite of this. She understood the importance of long-term cooperation and she did her best to solve her current financial problems while still thinking of the future. It was her trust and persistence that let the company get rid off its disadvantageous situation. Thus, the company won the trust of customers with its reputation for high quality projects and services; this led to a total sale of 3,600,000 RMB in the first year.

In 1995, after a few years of development, CBIT was founded while the computer industry was in its early stages, and about 80% of computer companies still chose selling computer hardware as their profit objective in the short term. Rather than pursue this short-term track, Sun Shuyun prudently chose a longer-term strategy: she decided to



work on the integration of computer network systems and on-line Internet incremental services. The following decision for CBIT to enter the software industry was also dependent on Sun Shuyun's vision of exploring strategic opportunities. Today, CBIT has developed into an integral piece of The Torch Project and has the designation of Software Enterprise of National Development Plan by the National Science and Technology Department.

For many private high-tech enterprises, a common problem often exists in human resources; but CBIT's management team and employees work hard to maintain a harmonious and stable workplace. Sun Shuyun's credit-orientation has brought her the respect of her partners and employees, and there have been to date no contract disputes.

From an employee's view, Sun Shuyun is a well-respected general director as well as a cordial, kind, tolerant, patient and understanding sister. Her affinity helps the management team and employees become a whole unit and contribute to enterprise development. Additionally, no matter how the company has developed, she has always kept her traditional childhood habit of being thrifty with finances; even with her success in business she still maintains a modest outlook and dresses in simple clothes. It is due to her strong personality traits of persistence, diligence and thrift that CBIT has overcome many difficulties and succeeded.

From the standpoint of a career, Sun Shuyun has treated her work as her whole life. She has the opportunity to completely merge herself into her business career because of the strong support from her family.

Sun Shuyun's entrepreneurial process shows that being a highly educated professional with a high need for self-fulfillment can lead to many successes. Encouraged by positive

government policies fostering the private sector and the opportunities to develop in the information economy, Sun Shuyun grasped the opportunity to achieve her goals of building financial success and self-fulfillment in the face of daunting career challenges as well as financial need. Not only does she have the common personality traits such as resolution, foresight and risk-taking, but she also possesses the characteristics of being strongly persistent, honest, modest and unadorned. Her tolerant and amiable management style has helped her to carry out her entrepreneurial venture effectively.

## **6. Conclusions, implications and limitations**

This article first developed a model of entrepreneurship using institutional and behavioral factors, and, then analyzed the evolution of the Chinese economy and the context for female entrepreneurs in China. After taking the specific factors affecting women entrepreneurship in China, the article concludes with an example of a successful female entrepreneur as an illustration.

Women at first chose to enter industries which had low barriers to entry, such as the textile industry, restaurants, or other services requiring unsophisticated skills or small amounts of capital. They also tended to use their own savings or loans from relatives. No matter whether pull or push factors were at work, Chinese women's personal characteristics – tolerance, persistence, human heartedness, thrift, hardworking and finally prudence (Hu, Chu, and Liang, 2002) – were essential to their business success.

The low starting point, coupled with the legal, social, and economic transformation of the economy, has provided a launching point for female entrepreneurship in China. Much progress was made, for example, in strengthening the formal institutions of the country, the development of training centers, and the availability of capital. But social

norms are slow to change. Women in China may still have fewer opportunities than men in manufacturing, high tech, high skill sectors. Case studies, such as the one presented, that document the inspirational stories of selected women who broke ranks are now starting to emerge.

Female entrepreneurs in China have nevertheless made some gains: the research findings indicate that the average age of female entrepreneurs is younger than male entrepreneurs while their education level is higher. The time of establishing women-owned enterprises has been concentrated after 1995, and entrepreneurial capital usually comes from internal as opposed to external financing. As for industry of choice, women entrepreneurs prefer to choose sectors such as restaurant, wholesale and retail, or information services. In general, women-owned enterprises have shown much better performance than have ones owned by men, while women report higher satisfaction with their economic, social, and political status than do men. The Eastern cultural core values and personality traits of Chinese women integrated with modern thinking influence Chinese women's entrepreneurial success.

To exemplify our framework, we use a case study of Sun Shuyun. Her case study shows that women entrepreneurial activities in China depend on the special institutional environment in the transitional economy and pull/push factors discussed in the framework.

From the policy point of view, it is essential that the Chinese government establishes an institutional environment based on gender awareness, provides special protections under the law, and promotes policies to foster entrepreneurship. Gendered cultural

awareness and the law of gender equality are the institutional guarantees that Chinese female entrepreneurs need to emerge on a solid footing.

Finally, this paper is limited in several ways. First, this paper is intended as a critical review of the development of Chinese women entrepreneurship, thus the developed framework is not tested. A follow-up study is needed to test the validity of the framework so it can serve as a base for further female entrepreneurial development in China and other emerging economies as well. Secondly, only one case was employed to demonstrate the development path of Chinese female entrepreneurs in an ever changing institutional environment, rendering a limit on the breadth of generalization. However, Yin (1994) suggested that case studies are good for exploratory studies such as this. Finally, there are only scant information sources available on Chinese female entrepreneurship, especially for the time period before the founding of PRC. As a result, the scope of the study is very much focused on the transitional period from 1979. Nevertheless, this paper does provide some insights to the development of women entrepreneurship in modern China, especially in the transitional period. Hopefully, this paper provides some valuable references to other emerging economies, especially those economies in transition.

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