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Recommended Citation
Au, Kevin and Kwan, Ho-kwong (2006) "CHINESE FAMILISM AND MARKET RATIONALITY IN START-UP CAPITAL SEEKING (SUMMARY)," Frontiers of Entrepreneurship Research: Vol. 26: Iss. 17, Article 2.
Available at: http://digitalknowledge.babson.edu/fer/vol26/iss17/2

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SUMMARY

CHINESE FAMILISM AND MARKET RATIONALITY IN START-UP CAPITAL SEEKING

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Principal Topic

Chinese familism plays an important role in the recent development of Chinese societies. Many Chinese firms are actually family based. Familism affects not only the management of Chinese firms but also the formation of new firms, as Chinese families often provide start-up capital. Because of the supply of start-up capital, parents and other family members may gain a say in the venture and its operation. Hence, family capital may carry with it liabilities and obligations. In this paper, we examined how familism would interact with market rationality to influence young Chinese entrepreneurs in their decision to seek initial capital.

Method

The influence of familism on start-up financing in Chinese societies was examined through survey results. Youngsters (between 18 and 35) participated in information and training activities organized for “Youth Business Hong Kong”. A total of 371 questionnaires were distributed at six seminars and workshops, and 209 were returned. Finally 202 questionnaires were analyzed by logistic regression.

Results and Implications

The findings show that growth aspiration of the entrepreneur, transaction cost of involving family in business, parental control, and parental interference in business are negatively related to the seeking of initial capital from family, but positively related to the seeking of capital from friends. The findings could have a profound implication not only on the literature regarding start-up capital, but also how Chinese businesses are formed and managed. Although the findings show that more youngsters still turn to their family for initial capital than to their friends, the findings suggest that the effect of familism on the formation of business may have changed together with the changes in values and demographics in Chinese societies (Whyte, 1996). Young Hong Kong Chinese may start trying to escape from the rein of the family. If parental control and interference would drive Chinese entrepreneurs to seek initial capital from friends, the business landscape of Chinese societies would change. Because of path-dependent influence of initial capital structure, firms set up with friends may replace small, family businesses. This has far-reaching effect on ways of doing business and the structure of economy.

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