DO CULTURAL NORMS, CUSTOMS, AND TRADITIONS MATTER? AN EXPLORATORY STUDY OF VENTURE CAPITALIST DECISION PREFERENCES IN CHINA (INTERACTIVE PAPER)

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INTERACTIVE PAPER

DO CULTURAL NORMS, CUSTOMS, AND TRADITIONS MATTER? AN EXPLORATORY STUDY OF VENTURE CAPITALIST DECISION PREFERENCES IN CHINA

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Principal Topic

A shared culture of VC investment across countries founded upon common professional practices suggests that VC investment decision-making in different countries will be homogenous and will transcend cultural differences. However, institutions have an affect on VC investment decision-making. China has an institutional environment substantially different from that of the rest of the world. Chinese cultural norms, customs, and traditions are pervasive and permeate decision making at all levels and facets of Chinese life, including the shaping of entrepreneurial behavior and investment in entrepreneurial ventures. As institutional theory predicts, Chinese VC decision preferences will be both similar and different from those identified in western cultures. Our research explores this and we consider how institutional and cultural differences explain this phenomenon.

Method

An exploratory survey instrument was developed to collect data from senior members of domestic and foreign-owned VC firms operating in China. 50 senior VCs provided useable insightful responses.

Results and Implications

Given the limited nature of research into Chinese VC decision-making we believe that the paper makes the following significant contributions: (1) that there are indeed differences between Chinese VC sets of investment criteria and those identified in other countries i.e. Chinese VCs view the importance of individual criteria differently from their counterparts in other countries; and (2) that cultural norms, customs, and traditions affect not only how VCs use information but also what information they use. The research extends Zacharakis et al.’s (2007) findings that VCs from different countries (US, Korea, China) use the same information factors in their screening decisions and the institutions primarily influence the importance weight attributed to the information. The findings provide practical insights for both VCs and entrepreneurs as to the type and emphasis placed on decision criteria by experienced Chinese VCs. Finally our study suggests that established research methods limiting the number of attributes when investigating VC decision preferences in countries like China may result in distortions and there is a need to explore alternative research methods that may factor in greater heterogeneity (e.g Best-Worst Choice Modeling).

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