

CRITICAL SUCCESS FACTORS FOR SMALL BUSINESS IN CHINA: SMALL BUSINESS OWNERS CONTRASTED WITH THEIR COUNTERPARTS IN MEXICO AND THE US

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Paper Summary

Small Business is an important factor in the economy of the United States, Mexico and China. A high initial failure rate is a common challenge to small businesses. If factors critical to the success of small businesses can be identified, the impact of incorporating these into business plans could positively affect the United States, Mexican and Chinese economy. If critical success factors common to the United States, Mexico and China are discovered, there is the potential that universal critical success factors for small business may be identified. Observed critical success factors form a structure that strongly reflects previous United States and Mexico study findings as well as in prior work.

The search for a unified theory of success factors critical to small business success is reviewed. The information from China is further examined for changes in critical success factors through firm life cycle. This research assumes the universality of the three groupings: Task Environment, General Environment and Personal Characteristics. The difference in employee behavior in large firms for Asia and the United States is examined for insight into possible differences in small business personality.

The new data introduced in this paper is from a survey administered to small business entrepreneurs around Hangzhou, China. Although the instrument was patterned after previous small business surveys performed in United States and Mexico, cultural differences informed structural changes in the design. The personal interviews were coordinated by Dr Jin Chen of Zhejiang University at Hangzhou.

The respondents are all classified as small businesses. The majority of the respondents were young when they founded their business. This high percentage of younger entrepreneurs reflects a generation taking advantage of new opportunities provided by policy changes and a new business climate. Education percentage is very high. Manufacturing is the largest component of the respondents. The firm legal status reveals a high level of legal structure. 50% of the firms are corporations with Limited Liability Companies, and Limited Liability Partnerships proving very

popular as well. Examination of firm age revealed a steep drop off at ten years reflecting the recent nature of private enterprise in China.

Four tables are presented illustrating the supporting analysis.

Analysis produced one new factor not predicted in prior work: Strategic Management and Financial Competence, and two factors that were recognizable from prior work in the United States and Mexico, with some redefinition: Owner's Experience, Knowledge (Personal Characteristic), and Goal Orientation / Motivation (Personal Characteristic).

When examining the US factors, we see supplier and employee issues as highly ranked factors while in the China and Mexican factor rankings, we see Competitive Force, and Owners Experience and Knowledge. This suggests that in Mexico and China, small business owner's give priority to factors that depend more on competition and the owner's ability where in the US, labor relations are of greater importance. The presence of the factor: Owner's Political Affiliation and its attendant high ranking in the China study were enabled by Dr. Chen's creation of this item. The implication is that business by private firms will frequently take place with state owned or directed firms and the correct political affiliation is an enabling factor in a successful transaction. Other items ranking only in the China study are Owner's Charisma, Vision of the Owner, Owners Trustworthiness, and Owners Self-Confidence. These items speak to a concept described as the Chinese management characteristic of Human-Centeredness.

Changes in relative importance of success factors at different points in the Chinese small firm life cycle were not observed. Entrepreneurs at all surveyed stages have very similar self assessments about critical success factors.

The importance of small business to the economies of China, Mexico and the United States are great. The small business entrepreneur in China is surviving in a profoundly different market to that found in North America. The significance of items not strongly correlated to any factor in a US and Mexico study such as Owner's Political Affiliations, Overseas Exposure, Owner's Charisma, point to a set of business skills that is very different to that of their North American counterparts. Education levels on the extreme high end of the scale are indicative of a highly informed and professional entrepreneur class in contrast to those found in the United States and Mexico. A unique stress on strategic planning, short term strategic thinking, and significant reliance professional advisors may be reflections of this scholarly approach to Chinese small business.

References are available upon request.