

# Entrepreneurial Values of Indonesian Chinese and Javanese on Micro and Small Enterprises

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**ABSTRACT:** The purpose of this paper is to disclose entrepreneurial values between Javanese and Indonesian Chinese in micro, small, and medium enterprises (MSMEs) in Surabaya. This paper examines the entrepreneurial values variable regarding ethnic differences. Primary sources used were from 4 informants in MSMEs. This research used the interpretive approach (case study) that aims to build a theory rather than test it. Depth interview used to explore detail information. The results confirmed the similarities in entrepreneurial values between the two ethnic groups are the values of collectivity, perseverance, and creativity. While the different values are honesty, *quanxi*, *bapakism*, frugality, money consciousness, wise, social harmony, and knowledge hiding.

**Keywords:** Entrepreneurial values, Indonesian Chinese values, Javanese values

## 1 INTRODUCTION

The role of micro, small, and medium enterprises (MSMEs) on the economic growth of a nation is impactful. Various international studies of entrepreneurs show that location/country has a relationship with how a person starts and develops his business because it is related to the level of economic growth, cultural factors, natural resources, and primary industries owned in that location (Brush, 2006). Other research results showed that the value structure of entrepreneurs has durable, permanent, and distinctive properties that vary by country. Therefore the results of research related to entrepreneurial values also vary among countries (Malovics, 2015). Lucas (2012) firmly stated that there are values that distinguish an entrepreneur from non-entrepreneur, and each ethnic is different from one another. Indonesia has various ethnic groups that work as business people. The majority of Indonesian Chinese ethnic works as business people. Javanese business people are also quite a lot because the number of inhabitants on Java island is the largest compared to the population on other islands in Indonesia. Nevertheless, the way of doing business between the two ethnicities is not the same, because each ethnic has different values that significantly affect the way they do business.

Based on the above background, the research questions asked are as follows:

RQ: What values underlie Chinese and Javanese business people in running their businesses?

### 1.1 Entrepreneurial Values

Bygrave and Hofer (1991) defined entrepreneurs as "... someone who perceives an opportunity and creates an organization to pursue it", while Vesper (1983: 1) defined entrepreneurship as "the creation of new independent businesses". While the value is invisible, because it is a person's beliefs about "right" and "wrong", "good" and "bad" (McShane, 2013: 16). Mcshane described "values are relatively stable, evaluative beliefs that guide our preferences for outcomes or courses of action in a variety of situations". Robbins and Judge (2015: 168) explained: "values represent basic convictions that the specific mode of conduct or end-state of existence is personality or socially preferable to an opposite or converse mode of conduct or end-state of existence". Specifically, various studies showed that there is a direct relationship between entrepreneurship and value (Davidson, 1997 in Halis, et al., 2007). This indicates that personal values generally become the basis for forming entrepreneurial values. Various

studies showed that there is a relationship between personality and values, which implies that the values that a person possesses are largely genetically transmitted traits (Robbins & Judge (2015: 168). Robbins & Judge's statement above implies that each individual/ethnic has different values, which are also obtained from genetic and environmental factors in which they are located. Indonesia has many ethnic groups, which carry out the profession as entrepreneurs, and each ethnic group shows a different way of doing business, which of course, is influenced by the culture of each ethnic group.

### 1.2 Chinese Culture

The dimensions of Chinese culture are much influenced by Confucian values (Suryadinata, 1978) and are supported by Taoist moral law, which emphasizes social order, harmony (Redding, 1993) and *Jen*-based social relations consisting of *chung* and *shu* (Suryadinata, 1978). *Jen* is described as loving others as oneself, while *Chung* emphasizes the value of sincerity and honesty. Every social position has assumed responsibilities and duties known as *Li*, and the most critical value is filial piety (*Hsiao*). Chinese society has a substantial value of family collectivism (Redding, 1993). The need to fulfill individual responsibility (*Li*) underlies all other values. The meaning of *Hsiao* values extends to social responsibility, especially respecting, obeying, and showing loyalty to superiors, being wise rulers, and caring for their subordinates. Chinese self-identity and socio-cultural order are embedded in horizontal social relations (Redding, 1993). Chinese society consists of concentric circles, namely lineage groups or extended families. Family resources must be protected and enhanced to foster self-sufficiency. The relationship between each circle is united with mutual trust (Fei, 1939, in Redding, 1993). Friends and acquaintances are trusted according to the interdependence that exists in the *guanxi* value - that is, an ethnically based network that aims to protect family resources.

Personal trust can only be obtained if someone fulfills their obligations. Hierarchical decisions such as termination or recruitment, rewards, discipline, and employee evaluation tend to be based on friendship, trust, emotional ties, and loyalty rather than work results and efficiency. Legitimate cultural controls in Chinese organizations are easily formed and tend to replace bureaucratic control (Redding, 1993). The main values derived from *li* and *hsiao* are *qin jian*, *ke ji*, *qin fen*, and *jing shen* (Xu, 2000; Cleary, 1992). *Qin jian* (frugality) emphasizes saving, conserving resources, and displaying wealth with humil-

ity. *Ke ji* (asceticism) emphasizes the desire to control wealth, strength and pleasure and fulfill social responsibility. *Qin fen* advocates perseverance and seeks knowledge and wisdom. *Jing shen* adheres to caution and foresight.

Confucian values have produced a patrimonial business style of business people of Chinese descent (Redding, 1998). Power comes from ownership: owners and employees view the company as family property and management is done the same as managing a family. The owner instills the values of personal trust, money consciousness, and prudence on behalf of the family. Critical positions tend to be given to families or members of trusted lineages. Leadership is autocratic but paternalistic. Employers are responsible for employee welfare, allocating work, managing resources, helping inefficiently, providing security for parents, and showing understanding. In return, the employee must demonstrate full obedience and perseverance. The value of *li* and *hsiao* is a prevailing norm for employers and employees, especially if both are Chinese, so it is relatively easy to establish a stable discipline and hierarchy. Patrimonial can encourage organizational adaptability, goal conformity, submissive and diligent superiors, and stable organizational membership. On the other hand, it can produce nepotism, groups in organizations, non-family members with insufficient authority, the confidentiality of information, evaluation of performance that is subjective, limited promotional opportunities, and obstacles to organizational growth (Efferin & Hopper, 2007).

### 1.3 Javanese Culture

Javanese ethnic groups are the largest group in Indonesia, reaching 41.71 percent of the total population of Indonesia (Suryadinata, 1978). The pillars of Javanese culture are *alus-kasar* and *lair-batin*. *Alus* means pure/holy, subtle, polite, beautiful, refined, wise, civilized, and calm. *Kasar* means the opposite: impolite, rude, and uncivilized. *Lair* is "the outer realm of human behavior", which refers to the actions, movements, postures, and external speech of individuals, while *batin* is "inner realm" refers to their emotional life. The right combination between *alus-kasar* and *lair-batin* produces three groups of cultural values: a social order that involves *andap-asor* and *bapakisme*, social harmony (harmony), and mysticism, including rituals such as salvation and festivity. *Andap-asor* values, which mean being humble politely and showing correct behavior, knowing their position, behaving, and choosing words correctly in accordance with the people

they are interacting with. Javanese culture emphasizes social hierarchy, which involves rigid rules, social harmony (harmony), and spiritualism (Efferin and Hopper, 2007). The social hierarchy manifests itself in two central values, namely etiquette and Javanese. Javanese etiquette provides a set of truthful behavior to perform by people from different levels of the social hierarchy. Someone is required to be modest and polite when talking to someone who has the same or higher status.

*Bapakism* is a form of paternalistic relationship between leaders and followers (Rademakers, 1998). It is a term that means an ideal father who is highly respected but can also mean a figure who has charisma and is obliged to take care of his subordinates. On the other hand, hands, hearts to humanize family members/followers (*nguwongke*) by performing virtue and wise behavior (Efferin & Hopper, 2007). *Rukun* (i.e., harmony) is a condition in a society where there are no open expressions that divide opinions and feelings. To achieve harmony, one must prioritize group members and realize it through the process of making collective decisions (deliberations), consensus (consensus), and cooperative (mutual cooperation). Mutual assistance and burden sharing, including family and community, represent the concept of harmony. Social harmony is a reflection of unselfish behavior and respect for the wider community.

Javanese have strong mystical beliefs as they believe that ancestors, places, and spirits can communicate. Maintaining a harmonious relationship with the spirit is vital for a quiet life. This requires rituals such as salvation/festivity - a communal party at a critical event that symbolizes the mystical and social unity of the participants. (Geertz, 1960 in Efferin & Hopper, 2007).

## 2 RESEARCH METHODS

This study used a qualitative approach that is research that intends to understand phenomena about what is experienced by research subjects such as behavior, perception, motivation, action, etc. holistically, and by means of descriptions in the form of words and language, in an exceptional natural context and by utilizing various natural methods (Moleong, 2005). This research is a case study research that aims to examine certain phenomena that exist in a society that is carried out in-depth to study the background, circumstances, and interactions that occur (Sugiyono, 2011). Multi data sources were used in this study to support the validity and reliability

of data obtained (Yin, 2014; Eisenhardt, 1996). Data was collected through semi-structured interviews with informants, field notes, and observations. Interviews are recorded and then written in the manuscript. Number of informants interviewed were 4 business people divided into 2 Chinese ethnic and 2 Javanese informants. 2 Chinese ethnic informants were a 30-year-old man who runs beverage (culinary) business for 6 years (Mr. A) and a 43-year-old woman (Mrs. X) who runs cake and bread (culinary) business for 15 years. Meanwhile, 2 Javanese ethnic informants were a 40-year-old woman who runs a fashion business for 22 years (Mrs. Y) and another 40-year-old woman who runs the traditional cake business for 17 years (Mrs.Z). Analysis of the data used is based on recommendations by Neuman (2014) and Corbin and Strauss (2008: 293-4).

## 3 RESULTS AND DISCUSSIONS

### 3.1 Indonesian Chinese Values

In conducting a business, Indonesian Chinese is stringent in applying the Confucian values they believe. When starting a business, the Chinese people who usually do not have capital will be assisted by other wealthier family members. This concept is known as *guanxi*. This value is quite dominant in Chinese culture and indirectly binds people to mutual obligations, certainty, trust, and understanding. In addition, these values also regulate Chinese attitudes towards long-term and social business relationships (Hwang, Golemon, Chen, Wang, & Hung, 2009). *Guanxi* practice in Chinese society is more related to various relationships of daily life that are more informal and less hierarchical, which follows the principle of reciprocity, which is based on trust (Wijaya, 2008). This can be seen from Mr. A statement as follows: *"When my mother's extended family encouraged us to run a family-specific beverage business, they offered us capital to start a business, and we accepted it"*. A similar statement was also stated by Mrs. X: *"When I got married and wanted to start a business, my parents offered me start-up capital to start a business and I started selling bread in our rented house."* Both Mr. A and Mrs. X statements above show that the *quanxi* values are still applied in the Indonesian Chinese ethnic, especially when those who start a business are the closest people. This is consistent with the opinion of Redding (1993) that the Chinese community has a strong family collectivity. The practice of *quanxi* values is inseparable from the personal trust that is



created in large families and is seen in managing businesses. It is close family members who are entrusted to carry out work that is considered confidential such as mixing drinks or cakes, with the aim of protecting the family business, as Mr. A statement that said *"to mix drinks, only my mom and me do it, while packing, marketing, and my employees do other things"*. Mrs. X also stated the same thing that *"mixing and measuring the dough are carried out by my husband and me, while our employees can do other work"*. This is consistent with the statement (Fei, 1939, in Redding, 1993) that Chinese society consists of concentric circles; that is, lineage groups or extended families and family resources must be protected and enhanced to foster self-sufficiency. Therefore, the relationship between each circle is united with mutual trust. In addition, the value of honesty is also highly respected by Mr. A and Mrs. X as revealed in their second statement that said, *"in doing business we should be honest, related to the use of materials, scales and so on in order to make our business sustainable in the long run and consumers continue to believe in our products"*. This statement also implies a long term orientation.

When starting a business, the two Chinese informants experienced various obstacles, especially in reaching consumer confidence, facing competition, and managing business finances without being mixed with family finances. *"When I started my business, there was much bread that none bought, and my family and I had to eat it. This made me want to quit from the business and work with people, but my extended family still encouraged me to persevere and keep working hard. I finally followed their advice until a few months later, I began to receive many orders"* (Mrs. X). The value of perseverance and hard work is also a living motto of Mr. A: *"My willpower when I started this business was to continue to struggle and work hard because I believe one day I will succeed"*. Frugality is also a value held by these two informants, as seen in their statement: *"every profit we get, we always set aside to develop the business later. We do everything that we can do ourselves to save employee use"*. This is in accordance with the statement of Redding, 1993 related to money consciousness possessed by Chinese ethnic in managing the business.

### 3.2 Javanese Value

The two Javanese informants (Mrs. Y and Z) have different types of businesses. Mrs. Y started a business with sewing talent that had been developed

since college. After graduating, she received stitches at home to raise capital, as stated: *"I received stitches with a sewing machine belonging to my mother, and I hope to have several sewing machines and workers to help me"*. Through persistence and perseverance, in five years, she managed to open a boutique and have 15 employees. In running her business, Mrs. Y trusts her employees, this can be seen from her statement: *"I teach various skills to my employees in the hope that they can work well for me"*. However, after the majority of employees can sew well, they choose to leave and open their own business. *"This incident hit me enough because I had put my trust in the employees and I felt betrayed. But this incident gave me the wisdom to be more creative with my embroidery skills"* (Mrs. Y).

In managing her employees, Mrs. Y always applies the *alus* and spiritual values, as expressed: *"I always teach employees to respect older people and always use the soft Javanese language in communication. If employees are using Javanese ngoko (coarse) in communicating, then I will reprimand them by answering in soft Javanese. I also remind every employee to pray and celebrate every traditional and religious celebration they have"*. Mrs. Z also expressed the same thing: *"I try to protect my employees, teach them always to speak politely/alus and respect each other's differences of opinion. If I want to decide on their work, I always invite them to negotiate for a mutual agreement. If there is a conflict, I always ask them to prioritize kinship in solving every problem and always live harmoniously at work"*. From the statements above, it can be seen that Javanese business people apply the values of perseverance, hard work, trust, creativity, *alus*, spiritual, *bapakism*, and consensus. This is in accordance with the opinion of Efferin and Hopper, (2007) that Javanese culture emphasizes social hierarchy which involves rigid rules, social harmony, and spiritualism that are manifested in two central values namely etiquette and Javanese language, and other characteristics such as kinship, virtue, harmony, consensus, cooperative, *bapakism*, and spiritualism.

## 4 CONCLUSION

The values of the entrepreneur strongly influence the management of a business at the micro and small business level. The values of each entrepreneur differ according to the values of their ethnicity. Indonesian Chinese and Javanese are two business people

in Indonesia who have different values in managing their business. Indonesian Chinese is more dominant in the values of *quanxi*, personal trust, honesty, perseverance, hard work, and long term orientation, while Javanese are more dominant in applying the values of the *bapakism*, spiritual, *alus*, creative, consensus, harmony, and kinship.

This study only focuses on the micro and small business sector while medium-scale businesses are not included in this study. The number of samples was relatively small so that it cannot be generalized to all business people of Indonesian Chinese and Javanese ethnicity in Surabaya. Future research is expected to reach more respondents with various ethnic groups and also include medium-scale businesses.

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