



## CHINESE CULTURAL VALUES AND ITS INFLUENCE ON CHINESE INDONESIAN ENTREPRENEURIAL CULTURE

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### *Abstract*

*Today, the domination of Chinese Indonesian entrepreneurs in Indonesia economy is not questionable. This research aims to understand the entrepreneurial culture of Chinese Indonesian entrepreneurs that are believed to be one of their success factors. This research used in-depth interview and successfully conducted interviews with 12 successful Chinese Indonesian entrepreneurs who understand about Chinese cultural values. The result revealed that some unique characteristics of their entrepreneurial culture differentiate themselves from other entrepreneurs such as believe in regeneration since childhood, it however brings positive impact to their children who already get used to the work environment before they finally become matured and independent. Chinese Indonesian entrepreneurs have a strong principle in cash management and love to have long term planning completed with the contingency plan. They cursed debt, it is perceived as a disgrace and it becomes the last option in looking for financial resources. The empathy between Chinese Indonesians is strong and especially because they believe that Chinese Indonesian has a competitive trait at trading, their business style is flexible and they still hold high value in respect for parents and teachers.*

**Keywords:** *Chinese Indonesian, Entrepreneurial Culture, Chinese Cultural Value, Chinese Indonesian entrepreneurs*

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## INTRODUCTION

Since a long time ago, Chinese has come to Indonesia and becomes one of the ethnic groups in Indonesia. The first time they came to Indonesia, they aimed to trade and deal with Indonesian citizens. Then they were actively

engaged and adapted with natives in Indonesia especially because they played a major role as a trader, they were generally known as Chinese Indonesian. The relationship between native Indonesians and China was much influenced by the Dutch (in the 19th century) and Indonesian government policies.

Today, it has become a general opinion that the Chinese minority plays a very decisive role in the economic life of Indonesian people. The previous research confirmed that, of Indonesia's top 300 conglomerates just prior to the 1997-98 economic crisis, 217 (72%) were either wholly or mostly owned by Indonesian-Chinese who represented only 3.5% of the total population in the country (Backman, 2001). The massive investment and rapid development of Chinese Indonesian family business make them considered as an economic driver and always associated with the rich group in the society (Husodo, 1985). This opinion is both true and false depends on which angle used to see and which sectors becomes the focus of attention. As a matter of fact, native people in Indonesia often see that ethnic Chinese play an important role in the economic activities, especially those products related to primary need, Chinese ethnics tend to dominate the central economic activities and therefore their influence has strongly affected many sectors in Indonesia.

However, a lack of research in this field makes Indonesian people difficult to understand and learn how Chinese Indonesians do their business. This research aims to understand Chinese Indonesian entrepreneurial culture that makes them competitive and superior, the output of this research brings benefit to Indonesian native people and other ethnics to understand how Chinese cultural values affect the entrepreneurial culture of Chinese Indonesian entrepreneurs in Indonesia and therefore makes them successful, it can also enrich the literature of ethnicity research related to entrepreneurship, especially in Asia.

## **LITERATURE REVIEW**

### **Chinese Indonesian History**

Chinese are ethnic who are well known for their expertise in the field of trade. This is because since a long time ago, their life was supported by the trade sector. To look for a better life, they are looking for new areas known as "Nanyang" which means an area in the south that promotes prosperity, therefore Chinese people came to South East Asian countries and began making a living there including Indonesia.

They began to interact with local communities by conducting trading activities. During the Dutch colonial era in Indonesia, Chinese ethnic was trusted by Dutch people to act as an intermediary between the indigenous population and the Dutch, namely as a distributor of agricultural goods and products from the indigenous population and then distributed to the Dutch people. The Dutch gave their trust to the Chinese ethnic in the field of trade because of the consideration that the ethnic Chinese were more experienced than the natives in terms of trade. Over time, Chinese ethnic began to dominate trade activities in Indonesia. This is because of the characteristics of Chinese ethnic in Indonesia who are willing to work hard and live economically. They are able to work long hours and rarely take a rest except for their special days. Always making money has become a habit as well as their pleasure, the attitude of the Chinese people that leads to prosperity.

China is the biggest country in Asia where many of the people like to migrate and settle in other countries. Chinese native who migrates and lives in other countries in the international term is referred to as Overseas Chinese. The term Overseas Chinese is commonly used in ethnicity focused research and always refers to the same

objects. In terminology explained by Pan (2009), the encyclopedia of Overseas Chinese comes from the word *Huaqiao* where *Hua* refers to "Chinese" and *qiao* means "to stay away from home somewhere temporary". If translated accordingly would mean Chinese people who live far from home for a while (Pan, 2009). However, it does not explain whether they (Overseas Chinese) live permanently or temporarily in the new country. Overseas Chinese is defined as residents of Chinese descent who live outside the territory of China country (Loy, 2012). Like Overseas Chinese in other countries, Overseas Chinese in Indonesia plays an important role and have distinguished success in the economic sector. Some Chinese people are well-known as phenomenal figures whose life stories are written and used as inspiration.

In the historical records of Indonesia, the arrival of Chinese ethnic in the ancient time of Indonesia was heavily related to the context of the Silk Road. Although it is believed that Chinese ethnic had existed in Indonesia a long before it, the arrival era of Overseas Chinese in the historical record begins at the era of Ming dynasty, the voyage that carried Zheng He and his crew in the beginning 15th century dropped by, then settled in Semarang, Tuban, and Lasem. Later then, a significant number of Chinese people enter Indonesia around the end of the 19th century to some popular regions in Indonesia including Java (Lim and Mead, 2011). They were migrated mostly from Southeast China. They left China with a purpose to seek for a better life because at that time, China was severed from a heavy economic recession.

The data about Chinese ethnic population in Indonesia is a lack because in the past, Chinese people who lived in Indonesia were given identity as Indonesian people and therefore there was no census that focuses on them anymore since then. However, a few works of literature stated that there was ever a census conducted to know the number of Chinese ethnics in 2010 and resulted in fact that Chinese ethnic in Indonesia accounts for around 1.2% of the total population in Indonesia or around 2.83 million people (Katadata, 2017). They mostly live in Java, Kalimantan, and Sumatra islands. While another data from the Overseas Chinese Affairs Council (2011) revealed that the number of the overseas Chinese population was about 8 million people in all over Indonesia. However, the data was still weak due to the justification that many Indonesian Chinese were reluctant to admit themselves as Chinese. In general, Indonesian Chinese is actually *Han* ethnic. They came from the southern region of China. The largest group in Indonesian Chinese is those who are well-known as Hokkien. The group included those whose ancestors came from the Fujian area. A lot of them today reside in the territory of Java and Madura. This Hokkien Chinese is one of the largest groups by numbers and language structures that are widely adopted by Indonesian (Liem and Mead, 2011).

### **Confucius Leadership**

Confucius's leadership is Chinese leadership within the framework of Confucius's values. Confucius' leadership was developed from a perspective or norms that have been taught and practiced for approximately 3.000 years. Confucius' leadership according to Cheung and Chan (2008) has characteristics that reflect Virtue, Learning, Harmonization, Regulation, Innovation, and the rationale of Confucius (Cheung and Chan, 2008). The five major principles in Confucius namely: *ren*, *chun tzu*, *li*, *te*, *wen*. Moreover, according to Hill (2006), the Chinese leadership is influenced by 3 Confucius principles namely *te* which refers to power by male rules, *ren* which refers to an ideal relationship between individuals based on virtue, humanism, and love and *yi* which refers to rules related to good behaviour, something which should be done for the good of ourselves and other people.

According to De Bettignies et al (2011), there are 10 characteristics leadership based on classical Confucian values, which are deep understanding regarding *ren* (humanity), running the rules with virtue, having virtue (the

power to raise awareness and influence others to do the same thing), able to assert individual and collective beliefs in implementing policies and relationships, interactions and reciprocal relationships based on self-introspection and care for other people, become role model to inspire, shape trust and respect, fair and virtuous, capable to resolve conflicts and adjust to new environments, have courage in facing a crisis and survive to educate a new potential generation, practicing wise resignation (De Bettignies et al, 2011). Today's leadership character which reflects the ideology of Confucius according to McDonald (2011), are: (1) being calm, look like a humble person who gets a social award based on relationship and build up perspective of other people as a fatherly and spiritual business leader, (2) Pluralistic and holistic leaders who seek opportunities to improve harmonious relations that integrate all existing factions, (3) they work hard and are ambitious but they don't look aggressive, (4) They will achieve results while projecting an atmosphere of patience (McDonald's, 2011).

Confucius's values as the roots of Chinese culture are implemented in various aspects of Chinese ethnic life including social relations, organization, business, and management. It has been confirmed and widely written Chinese and Chinese Overseas culture researchers (Wah, 2010). In the field of leadership, the research by Wah's (2010) also revealed that the basic lesson of Confucius has been integrated into the Chinese leadership style such as moral character, human-heartedness, human relationships, lifelong learning, and moderation. Understanding Confucius's teaching as aspects of social behaviour is something fundamental for understanding Chinese people. This is because Confucius is a cultural heritage that dominates the way Chinese people think (Lin, 2010). One striking thing about the teachings of Confucius in Chinese ethnic life is its view that family is the most important thing. For followers of Confucius, the family is the centre of all relationships. They have a tendency to put family interest above business interests and others. For Chinese people, the family plays an important role and should be prioritized over everything. Confucius' philosophy, according to Chuang (2012) can be described in the following 4 principles:

1) Hierarchical relationship to achieve stability

The main principle of Confucius teachings is the stability of the social structure based on a hierarchy that is known as five relationships (*wulun*): individual-law, father-son, husband-wife, friends, parents-young. Human can live happily only if social stability is achieved through the hierarchical relationship

2) Continuous self-development

Self-development can be realized through learning that emphasizes on ethics and cognitive intelligence. Learn here refers to a process that never ends in life, it is more than just acquiring new ability or formal education, it is the same concept as a life-long learning

3) A harmonious relationship with others

The purpose of self-development is to achieve harmonization in a relationship. To maintain harmony, a person must treat other people as a family member, overcome his individuality, respect the dignity and prestige of other people and keep their self-esteem. In maintaining harmonious relations, *Guanxi* plays an important role, *Guanxi* here means a social network to maintain effective personal and social relationships

4) Humanistic virtuous behaviour

In the teachings of Confucius, devotion value exceeds learning and should be prioritized over learning. Devotion is a form of family responsibility, personal morality to maintain family harmony (Chuang, 2012).

### Entrepreneurial Culture

Rusdiana (2014) argued that entrepreneurship is the willingness and ability of a person to deal with various risks by taking initiatives to create and do new things through utilizing a combination of various resources with the aim of providing the best service to all stakeholders and gaining benefits as the return. Meanwhile, Kasmir (2011)

concluded that entrepreneurship is an ability in terms of creating business activities. Moreover, Soetadi (2010) believed that entrepreneurship is a mental attitude and the nature of the soul that is always active in trying to advance the work of his devotees in the context of efforts to increase income in business activities. In addition, Soetadi (2010) also noted that entrepreneurship is a creative and innovative ability that is used as a basis, tips, and resources to find opportunities for success. From several definitions of entrepreneurship, it can be concluded that entrepreneurship is one of the creative endeavours built on innovation to create opportunities and be put to good use so that they will get greater profits and the results are useful for others.

Browson (2013) argued that entrepreneurial refers to a style of entrepreneurship. It is an adjective description toward what entrepreneurs do and that makes them different from other entrepreneurs. Culture refers to attributes, values, beliefs and behaviour therefore entrepreneurial culture can be defined as attributes, values, beliefs, and behaviour of entrepreneurs. It is an important fundamental theory to learn ethnicity entrepreneurship and to figure out a characteristic of a particular group of people compared to the group.

## **METHODOLOGY**

This research used a qualitative approach to understand how Chinese cultural values affect the entrepreneurial culture of Chinese Indonesian entrepreneurs because the culture is hard to measure and therefore qualitative approach was considered fit to this research. In-depth interview method was used to gain deep information about Chinese Indonesian entrepreneurial culture. The research successfully conducted an interview with 12 successful Chinese Indonesian entrepreneurs from different age and industry to figure out how Chinese cultural values have affected their entrepreneurial strategy. This research focuses on interviews with deep understanding on Chinese cultural values and therefore snowball sampling method was utilized, which means that researcher asked for a recommendation from the first interviewee to get the second and third interviewee and so forth who was believed to understand about Chinese cultural values and have entrepreneurship experience. Then research result was obtained by narrative analysis in order to gain important structural information that answers previous research questions.

## **RESULT AND DISCUSSION**

The analysis has successfully figured out some entrepreneurial cultures that become unique characteristic of Chinese Indonesian entrepreneurs, as follow:

### **Entrepreneurship Regeneration Since Childhood**

Chinese people loves to take their children to their company and let them see how the business works out since their childhood, it is because they want their children to get used to the work environment before they are finally prepared to continue running their business. It is also to avoid their children from having another dream that is not relevant to their job that their parents are developing now, especially for boy. Boy is believed to be a better leader and capable of running the family business in the future. In addition, this method also aims to teach their children to be more respectful of money and wiser in managing or using it. When their parents are sick or died at an unexpected time, the risk of the company being corrupted by other people can be eliminated because they already have children who are ready to supervise and continue the business operation. "Put family first" is always core

value in the Chinese Indonesia entrepreneurship strategy. Chinese Indonesian people put a priority on recruiting people who has family relation with them because they are more trustworthy than outsiders, especially if the job is related to finance.

### **Wise Cash Management**

Chinese Indonesian people are so detailed in financial accounting even if it is still done traditionally in many family businesses. They believe that investment is more important than consumption, therefore minimize their expense on a way that external people cannot see, for example in their daily meal and personal things. There is Chinese proverb says “They who don’t live economically will live in suffer.” This makes Chinese entrepreneurs are perceived as stingy when it comes to company spending. Interviewees revealed that most Chinese Indonesian entrepreneurs cut their production cost by taking over the supply chain, for example when they run a bakery store, they will build up a flour factory or their big family has flour factory, this is a way they can get their food ingredient with the best quality and cheap price.

### **Thinking Long Ahead**

The Chinese are most afraid of uncertainty in the future. Therefore, they will always prepare as early as possible. They will continue to strive to make their future better. Being hard worker, thinking far ahead, consistent and keep continuing on the track that has been planned will certainly provide encouraging results. *Yi Ban You Wo, Yi Ban You Tian* means half with me and half with sky, it actually means that as business people, we don’t have to be worry for our future and never regret what has happened in the past. Chinese people believe that even if God has written our destiny, our luck can be changed if we don’t give up. Chinese Indonesian people put priority on investment because they believe that they are given task to protect their 3 generations ahead and therefore they must inherit good business that can make enough money for their 3 generations ahead.

### **Put Cash Flow Stability First Before Profit**

Chinese Indonesian people are patient when establishing a new business, they put the priority on business stability and the cash flow must be enough for the next operation, it does not matter if they don’t get a dividend for the first year as long as the company can keep running. They believe that the company is just like a child, it needs time to make them able to walk by themselves and therefore it needs time to make company operation stable.

### **Use Personal Investment Instead of Debt**

The Chinese consider that debt as a disgrace. Chinese Indonesian entrepreneurs will always avoid debt as much as possible by continuing to work hard even though they have to struggle for that. Chinese Indonesian entrepreneurs are confident when they set up their business. Many of them believe that starting a small company is better than working for a big company. They will start from a very small investment and keep investing from their income until they finally have a big company. They always prefer investor to loan in case they want to start with big investment. The unique thing is their special relationship with other Chinese Indonesian, they will prefer investing in Chinese Indonesian to other ethnics because they trust Chinese Indonesian more than other ethnics and they believe that investing in people with the same ethnicity and cultural value will bring good prospect and relationship in the future.

### **Flexibility in Running Business**

Negotiation or bargaining is an important thing to do in the business world. The Chinese will bid to get the best price and business negotiation is always possible in any circumstance. They are also a good listener and they believe

that maintaining relationship with a customer is important. Chinese Indonesian entrepreneur believes in the great importance of kinship and relationship. They believe that no one can live alone without the help of others. By having a relationship, business opportunities are widely opened. To get loyal customers, they will not hesitate to lose at the beginning.

### **Social Responsibility for Parent and Teacher**

Chinese Indonesian Entrepreneurs never forget their parents and teachers, many of them always help their parents and teachers as a social responsibility of their business. They believe that luck comes from it and forgetting them can cause a bad luck to their business. It is usual to see Chinese Indonesian entrepreneurs give aid or job to their ex-teacher when they have a financial problem. It is also a corporate social responsibility for Chinese Indonesian to donate their income for religious activity and school, it is their respect to tradition and history, therefore, it is usually considered as corporate social responsibility project without profit orientation.

### **CONCLUSION**

Chinese Indonesian entrepreneurial culture has become core value that sharpens their competitiveness in business. It is worthy to note that there are some unique characteristics of their entrepreneurial culture that differentiate themselves from other entrepreneurs such as believe in regeneration since childhood, it however brings positive impact to their children who already get used to the work environment before they finally become matured and independent. Chinese Indonesian entrepreneurs have a strong principle in cash management and love to have long term planning completed with the contingency plan. They cursed debt, it is perceived as a disgrace and it becomes the last option in looking for financial resources. The empathy between Chinese Indonesians is strong and especially because they believe that Chinese Indonesian has a competitive trait at trading, their business style is flexible and they still hold high value in respect for parents and teachers. A future researcher is expected to complete the literature by exploring more differences between Chinese Indonesian entrepreneurial culture and other ethnics. A future researcher is also expected to examine the effect of those values in entrepreneurship success by quantitative approach.

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