

Confucius Culture Values in Supporting the Performance of Chinese Ethnic Small and Medium Traders

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ABSTRACT

Purpose: The success of the Chinese, especially in the northern coastal areas of East Java province in conducting trading business, has almost the same mental attitude, namely the courage to take risks, never give up, speed and high flexibility. On this basis, the authors want to research and study further about the influence of Confucian cultural values on entrepreneurial orientation through business ethics and work ethic and their impact on the business performance of small and medium ethnic Chinese traders in the northern coastal area of East Java Province which includes the District of Tuban, Lamongan Regency, Gresik Regency, Surabaya City, Sidoarjo Regency, Pasuruan Regency and City with a total population of 138,842 with a sample according to Slovin amounting to 400 small and medium ethnic Chinese traders.

Design/methodology/approach: To test the hypothesis, the analytical technique used is SEM (Structure Equation Modeling), with statistical software.

Findings: The results showed that there was a significant influence of Confucian Cultural Values on Business Performance for Small and Medium Ethnic Chinese Traders in the North Coast Region of East Java Province.

Practical implications: The existence of this research is expected to change the mindset of small and medium traders to be able to improve their business performance and local governments in conducting business development through Confucian cultural values as a reference.

Paper type: Research Paper

Keyword: *Business Ethics, Chinese Ethnic Small and Medium Traders, Confucian Cultural Values, Entrepreneurial Orientation and Business Performance, Work Ethic*

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I. INTRODUCTION

Empirically, there are differences in business performance between ethnic Chinese traders and non-Chinese traders, where ethnic Chinese traders are relatively more successful when compared to non-Chinese traders. In carrying out its business performance, in accordance with the philosophy of life, which is orderly, real and harmonious, the ethnic Chinese always adheres to a work ethic, discipline, work hard, thrifty, honest and consistent in doing business. In general, ethnic Chinese have a very high work ethic. Willing to work hard in tough situations, disciplined, frugal, honest, and consistent in doing business. Related to this, the success of the Chinese in Indonesia, especially in the northern coastal areas of East Java province in trading business, has almost the same mental attitude.

Table 1. Comparison of Business Performance in the form of Small and Medium Trader Turnover

Ethnic Chinese and Non-Ethnic Chinese

No	Country/City		Average Annual Sales Turnover Value in 2016 (Rp)		Information
			< 300 Million	300m < turnover < 2.5 M	
1	Lamongan	P. Ethnic Chinese	14,960	1,420	
		P. Non Ethnic T	44,889	426	
2	Tuban	P. Ethnic Chinese	12,024	1.090	
		P. Non Ethnic T	36,071	327	
3	Gresik	P. Ethnic Chinese	12,477	2.126	
		P. Non Ethnic T	37,430	638	
4	Surabaya	P. Ethnic Chinese	36,486	16,245	
		P. Non Ethnic T	109,457	4.873	
5	Sidoarjo	P. Ethnic Chinese	19.958	4.444	
		P. Non Ethnic T	59,873	1,330	
6	Pasuruan Regency	P. Ethnic Chinese	12,600	1820	
		P. Non Ethnic T	37,799	546	
7	Pasuruan City	P. Ethnic Chinese	2,769	423	
		P. Non Ethnic T	8.306	127	

Source: BPS Data Processing in the 2016 Economic Census

From this a question arises, whether the influence of Confucian culture on the business performance of ethnic Chinese traders will be better, this is supported by the results of research by Ip (2009); Wah (2001), research by Jaw et al. (2007), Research by Tu (1989), Fujitsu Research in Tokyo Munarwan (2011:10), or whether the influence of Confucian culture on the business performance of ethnic Chinese traders is not better, this is supported by the results of research by Weber (1978) and research by Tan et al. (2004).

On the basis of this, the researcher wants to conduct research to analyze and prove:

1. The Influence of Confucian Cultural Values on Business Ethics on Small and Medium Ethnic Chinese Traders in the North Coastal Region of East Java Province;
2. The Influence of Confucian Cultural Values on the Work Ethic of Small and Medium Ethnic Chinese Traders in the North Coastal Region of East Java Province;
3. The Influence of Confucian Cultural Values on Entrepreneurship Orientation on Small and Medium Ethnic Chinese Traders in the North Coastal Region of East Java Province;
4. The Influence of Confucian Cultural Values on Business Performance for Small and Medium Ethnic Chinese Traders in the North Coastal Region of East Java Province;
5. The Influence of Business Ethics on Entrepreneurship Orientation on Small and Medium Ethnic Chinese Traders in the North Coastal Region of East Java Province;
6. The Influence of Business Ethics on Business Performance for Small and Medium Ethnic Chinese Traders in the North Coastal Area of East Java Province;
7. The Influence of Work Ethic on Entrepreneurship Orientation on Small and Medium Ethnic Chinese Traders in the North Coastal Region of East Java Province;
8. The Influence of Work Ethic on Business Performance of Small and Medium Ethnic Chinese Traders in the North Coastal Area of East Java Province;
9. The Influence of Entrepreneurship Orientation on Business Performance of Small and Medium Ethnic Chinese Traders in the North Coastal Region of East Java Province;
10. The Effect of Business Ethics Mediating Confucian Cultural Values on Entrepreneurial Orientation in Small and Medium Ethnic Chinese Traders in the North Coastal Region of East Java Province;
11. The Effect of Work Ethic Mediating Confucian Cultural Values on Entrepreneurial Orientation in Small and Medium Ethnic Chinese Traders in the North Coastal Region of East Java Province;
12. The Effect of Business Ethics Mediating Confucian Cultural Values on Business Performance for Small and Medium Ethnic Chinese Traders in the North Coastal Region of East Java Province;
13. The Influence of Work Ethic to Mediate Confucian Cultural Values on Business Performance of Ethnic Chinese Small and Medium Traders in the North Coastal Region of East Java Province;
14. The Effect of Entrepreneurship Orientation Mediating Confucian Cultural Values on Business Performance for Small and Medium Ethnic Chinese Traders in the North Coastal Region of East Java Province;
15. The Effect of Entrepreneurship Orientation Mediating Business Ethics on Business Performance of Small and Medium Ethnic Chinese Traders in the North Coastal Region of East Java Province;
16. The Effect of Entrepreneurship Orientation Mediating Work Ethic on Business Performance of Small and Medium Ethnic Chinese Traders in the North Coastal Region of East Java Province.

A. Library Reviews

Confucian cultural values are a value system that teaches about moral, social, political, and philosophical aspects that focus on the interests of the community rather than the interests of individuals who have influenced her for generations throughout her life, which Bjerke (2000:117-120) is divided into:

5 (five) discussions, among others

Power and Autocracy (Power and Autocracy).

Ethnic Chinese still maintain the basic character in running their business by carrying out their ancestral civilization, both inside and outside China. Their management tends to be autocratic and centralized in one power. However, as a weakness, they depend on certain social classes so they tend to be materialistic and find it difficult to spend money. In other words, they are more personal than other ethnic groups.

1. Kinship (Familiism).

Ethnic Chinese have a tendency to feel a strong sense of kinship, especially in blood relatives and cousins. This is evident on the Chinese New Year, they must gather with their families to eat together. One of the reasons for the importance of the family system in this ethnic group is a sense of security. For ethnic Chinese who leave their homeland and try to live in another area or country, environmental conditions are not necessarily conducive. This is not the case in Singapore, where the majority of the population is Huaqiao and the government is openly accepting of immigrants. Because of their high attachment to the family, the Chinese tend to fortify themselves from other ethnic groups. This also applies in the business world. Not only family, a high relationship also applies to the clan,

2. Relationship Network (*Guanxi*).

Although more personal than other ethnic groups, the Chinese attach great importance to *guanxi* in the business world. In contrast to Western cultures, which start a business and then increase their network of relationships, they put the network of relationships first, then start their business. For them, networking is a natural thing and is the first step in forming a trusted business. Therefore, they are more oriented towards building long-term business trust.

3. Self-Esteem and Authority (*Face and Prestige*).

Ethnic Chinese attach great importance to self-respect and prestige in the business world. They don't want to be known if they fail in negotiations, fail in achieving certain achievements, fail in promotions. As a radical example, they do not want their social class to fall because their children are not promoted, their family members do not hold important or high positions, or other unpleasant social circumstances. In contrast to Western cultures that are depressed because they 'feel guilty', they tend to be depressed because they 'feel ashamed.' This feeling of shame is associated with the shame of being known by others so that their self-esteem decreases, for example, shame on making a fatal mistake, asking for help, or being known to be unable to do something useful.

4. Flexible and Survival (Flexibility and Endurance).

In the view of Western society, ethnic Chinese cannot apply the science of business management (Western style) well, especially in small-sized businesses. For example, they cannot formulate human resource management and staff supervision, even though the workers do not find it difficult.

From the Confucian cultural values, which are the values of human performance, tenacity, seriousness and tenacity, which Kirzer is closely related to entrepreneurship theory. Kirzer's theory discusses human performance, tenacity, seriousness, sincerity, to be independent, in trying, so that the progress of a business depends on one's efforts and tenacity, which conceptually can be described as follows:

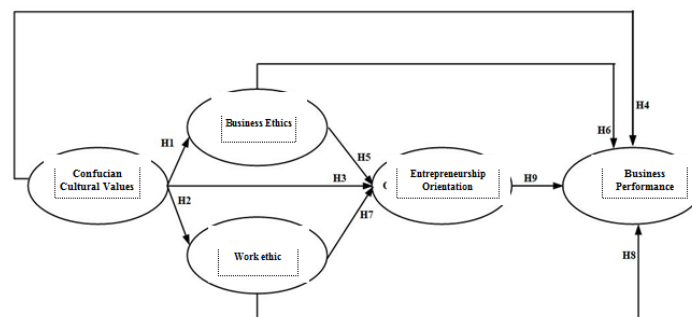


Figure 1. Concept

II. METHODS

The population in this study are small and medium traders who have a turnover as small and medium traders, which have been data based on the Economic Census by the Central Statistics Agency in 2016 in 7 (seven) districts or cities in the East Java Province, which includes Tuban Regency, Lamongan Regency, Gresik Regency, Surabaya City, Sidoarjo Regency, Pasuruan Regency and Pasuruan City totaling 138.842 people with a sample of 400 small and medium ethnic Chinese traders whose list of questions is divided and distributed proportionally based on the total population in 7 (seven) districts/cities in East Java. To test the hypothesis, the analytical technique used is SEM (Structural Equation Modeling), with AMOS statistical software.

III. RESULTS AND DISCUSSION

The test results with the SEM coefficient values for each variable are as follows:

Table 2. SEM Coefficient Value Effect Between Variables

Relationship Between Variables			Estimate	SE	CR	P	Notes:
(X1) Cultural Values Conf.	>	(Z1) Business Ethics	0.340	0.065	5.217	0.000	Sig
(X1) Cultural Values Conf.	>	(Z2) Work Ethic	0.107	0.045	2.387	0.017	Sig

(X1) Cultural Values Conf.	>	(Y1) Entrepreneurship Orientation	0.277	0.039	7.139	0.000	Sig
(X1) Cultural Values Conf.	>	(Y2) Business Performance	-0.156	0.072	2.173	0.030	Sig
(Z1) Business Ethics	>	(Y1) Entrepreneurship Orientation	0.203	0.061	3.329	0.000	Sig
(Z1) Business Ethics	>	(Y2) Business Performance	-0.001	0.071	-0.019	0.985	No Sig
(Z2) Work Ethic	>	(Y1) Entrepreneurship Orientation	0.472	0.069	6.787	0.000	Sig
(Z2) Work Ethic	>	(Y2) Business Performance	0.718	0.138	5.195	0.000	Sig
(Y1) Entrepreneurship Orientation	>	(Y2) Business Performance	0.384	0.215	1.785	0.074	No Sig

Source: Primary Data, 2020 processed by AMOS 22

The results showed that:

1. The Influence of Confucian Cultural Values on Business Ethics in Small and Medium Ethnic Chinese Traders in the North Coastal Region of East Java Province was significant with a positive direction of influence, this means that the higher the Confucian cultural values applied, the higher the ethics. the effort he puts into it.
2. The Influence of Confucian Cultural Values on the Work Ethic of Small and Medium Ethnic Chinese Traders in the North Coastal Region of East Java Province showed significant results with a positive influence direction, this means that the higher the cultural values possessed and applied, the higher the ethos work owned and applied.
3. The Influence of Confucian Cultural Values on Entrepreneurship Orientation on Small and Medium Ethnic Chinese Traders in the North Coastal Region of East Java Province showed significant results with a positive direction of influence, this means that the higher the Confucian cultural values that are owned and applied, the higher the value of Confucius culture. also applied entrepreneurial orientation.
4. The Influence of Confucian Cultural Values on Business Performance for Small and Medium Ethnic Chinese Traders in the North Coastal Region of East Java Province showed significant results with a negative direction of influence, this means that Confucian cultural values that are not nurtured and not maintained properly, then business performance will also decrease
5. The Effect of Business Ethics on Entrepreneurial Orientation on Small and Medium Ethnic Chinese Traders in the North Coastal Region of East Java Province showed significant results with a positive direction of influence, this means that the higher the business ethics applied, the higher the business ethics applied. entrepreneurial orientation in the form of innovation, courage to make decisions and being proactive is getting bigger.
6. The Effect of Business Ethics on Business Performance for Small and Medium Ethnic Chinese Traders in the North Coastal Region of East Java Province showed insignificant results with a negative influence direction, this means that the lower the business ethics applied, the higher the results of business performance. which is obtained.
7. The Effect of Work Ethic on Entrepreneurial Orientation on Small and Medium Traders of Chinese Ethnicity in the North Coastal Region of East Java Province showed significant results with a positive direction of influence, this means that the higher the work ethic applied, the higher the entrepreneurial orientation generated. .
8. The Effect of Work Ethic on Business Performance for Small and Medium Ethnic Chinese Traders in the North Coastal Region of East Java Province showed significant results with a positive direction of influence, this means the higher the work ethic carried out, then the greater the results of the resulting business performance
9. The Effect of Entrepreneurship Orientation on Business Performance on Small and Medium Ethnic Chinese Traders in the North Coastal Region of East Java Province showed insignificant results with a positive influence direction, this means that the higher the entrepreneurial orientation the higher the entrepreneurial orientation. done, the lower the resulting business performance.

10. The Effect of Business Ethics Mediating Confucian Cultural Values on Entrepreneurial Orientation in Small and Medium Ethnic Chinese Traders in the North Coastal Region of East Java Province showed significant results, this means that the higher business ethics in mediating Confucian cultural values, the greater the entrepreneurial orientation. generated.
11. The Effect of Work Ethic in Mediating Confucian Cultural Values on Business Performance for Small and Medium Ethnic Chinese Traders in the North Coastal Region of East Java Province showed significant results, this means that work ethic is able to mediate Confucian cultural values on-business performance.
12. The Effect of Entrepreneurial Orientation Mediating Confucian Cultural Values on Business Performance for Small and Medium Ethnic Chinese Traders in the North Pesisir Region of East Java Province showed insignificant results, this means that entrepreneurial orientation was unable to mediate Confucian cultural values on-business performance.
13. The Effect of Entrepreneurship Orientation Mediating Business Ethics on Business Performance for Small and Medium Ethnic Chinese Traders in the North Coastal Region of East Java Province showed insignificant results, this means that entrepreneurial orientation is able to mediate business ethics on business performance.
14. The Effect of Entrepreneurial Orientation Mediating Work Ethic on Business Performance on Small and Medium Ethnic Chinese Traders in the North Coastal Region of East Java Province showed insignificant results, this means that entrepreneurial orientation was unable to mediate work ethic on business performance.

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