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# How culture influences the way entrepreneurs deal with uncertainty in inter-organizational relationships: The case of returnee versus local entrepreneurs in China

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### ABSTRACT

Entrepreneurship is widely associated with uncertainty that stems from inter-organizational relationships. The concept of uncertainty, however, has mostly been analyzed as a uni-variate variable that addresses perceived environmental uncertainty. In this conceptual paper we analyze the concept of uncertainty stemming from inter-organizational relationships in the entrepreneurial context as a multivariate concept, utilizing Milliken's framework, which examines uncertainty by differentiating between state, effect and response uncertainty. Cultural influences are critical in determining how entrepreneurs perceive, analyze and deal with uncertainty in inter-organizational situations. By using illustrative cases of returnee versus local entrepreneurs in China, we propose that entrepreneurs influenced by Western cultures tend to treat state uncertainty as a focal change event, whereas entrepreneurs from Eastern cultures are more likely to consider the contextual factors; entrepreneurs influenced by Western cultures tend to limit effect uncertainty in the professional work setting by looking at cause-effect in an analytical way, whereas entrepreneurs from Eastern cultures are more likely to look at effect uncertainty beyond work; and entrepreneurs influenced by Western cultures tend to respond to perceived uncertainty by analytical-strategic thinking, whereas entrepreneurs from Eastern cultures are more likely to connect multiple factors holistically and to react to uncertainty by engaging the wider community. We argue that in a globalizing world it is pertinent for entrepreneurs who operate in the international environment to have a better understanding of the various facets of uncertainty and how these are related to culture when dealing with inter-organizational relationships.

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## 1. Introduction

Entrepreneurs frequently encounter environmental change as a result of inter-organizational relationships, as well as resulting uncertainty and ambiguities. Thus, uncertainty is a salient aspect of the entrepreneurial experience (Alvarez & Barney, 2005; Schendel, 2007). Despite the crucial role uncertainty plays in entrepreneurship, the extant research largely tends to treat it as a uni-variate variable and mostly focuses on the perceived uncertainty of the environment (Song & Montoya-Weiss, 2001) without analyzing its complexity, including the content, nature and effect of the uncertainty.

One of the first researchers to treat uncertainty as a multi-faceted variable and operationalize it as such is Milliken (1987, 1990). She suggests that uncertainty can exist regarding the nature of the perceived change, but also regarding the effect of the change on the firm and the appropriate response of the firm to the perceived change, thus creating a multivariate approach that not only analyzes the perception of uncertainty (which she calls “state uncertainty”) but also looks at its effects (“effect uncertainty”), as well as the response to uncertainty (“response uncertainty”) that prevails in organizations (Ashill & Jobber, 2010). While some scholars have started examining the implications of uncertainty on entrepreneurial action in multivariate terms (McKelvie, Haynie, & Gustavsson, 2011; McMullen & Shepherd, 2006), there is still little research that explores the various aspects of uncertainty and how entrepreneurs deal with it.

Hofstede (1980), in his seminal work “Culture's Consequences”, was among the first to show empirically that while uncertainty always exists, it is not necessarily perceived in a similar way in

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different cultures. Thus, he found that tolerance for uncertainty (which he labeled “uncertainty avoidance”) varied considerably among people in the different countries in his sample. He examined rule orientation, employment stability and stress as measures of uncertainty avoidance and found that significant differences exist between cultures regarding the way they deal with uncertainty.

While Milliken (1987, 1990) examines the way in which organizations perceive, interpret and respond to uncertainty, Hofstede's work (1980) mainly focuses on how uncertainty is perceived by individuals in different cultures. Thus, while both researchers examine uncertainty as a multi-faceted variable, one examines how culture influences the perception of uncertainty while the other looks at the effect and organizational response to uncertainty in strategic terms.

In this paper we seek to combine both streams of literature, while using the context approach (Hall & Hall, 1987; Peng, 2009), which examines the context in which social interaction as well as inter-organizational relationships exist. While Western European countries and North America are defined as low-context cultures in which communication is taken at face value, Asian countries are considered high-context cultures in which communication relies on the unspoken context as well as the spoken. Western culture tends to focus on managing or reducing uncertainty (Lind & Van den Bos, 2002), whereas Eastern culture might tolerate, accommodate or even embrace uncertainty (Mor, Morris, & Joh, 2013; Pun, Chin, & Lau, 2000). Therefore, we argue that cultures can significantly influence the entrepreneur's perception of uncertainty, as well as its effect on the entrepreneurial organization and the entrepreneurial response to uncertainty.

China is witnessing a rapid increase in the number of entrepreneurs in the country. The rising importance of entrepreneurship across industry sectors, business opportunities and the economic environment at large are attracting many individuals to become entrepreneurs (Zhou, 2013). Chinese local entrepreneurs are strongly influenced by Chinese culture. By contrast, returnee entrepreneurs are (for example) scientists and engineers trained in the United States or other Western countries who return to their home countries to start up new ventures (Wright, Liu, Buck, & Filatotchev, 2008). They are strongly influenced by Western cultures due to their prolonged stay in the West. In this paper we will develop a conceptual model that addresses the ways in which Chinese entrepreneurs who are influenced by different cultures deal with the different aspects of uncertainty in inter-organizational relationships. We will exemplify the model by means of illustrative case studies of two local and two returnee Chinese entrepreneurs and the way they deal with uncertainty, focusing on their supplier relationships.

In the following pages, we first present a literature review regarding uncertainty, entrepreneurship and cultural influences on individuals' cognition and reasoning logic from a cross-cultural comparative perspective (West versus East). Subsequently we develop a conceptual framework regarding cultural influences on the entrepreneur's perception of uncertainty, the effect it has on the entrepreneurial organization and the responses of the entrepreneurs to uncertainty. A set of propositions derived from this conceptual framework is presented as well. We use illustrative case studies from local and returnee entrepreneurs in China to elucidate our argument and conceptualization. We conclude this paper by outlining theoretical and managerial implications, as well as future research directions.

## 2. Uncertainty and entrepreneurship

Uncertainty plays a critical role in entrepreneurship (Folta, 2007). The entrepreneur's ability to deal with uncertainty can

significantly affect his or her entrepreneurial success (Schendel, 2007). For instance, in forming and exploiting opportunities entrepreneurs organize firms under the condition of uncertainty (Alvarez, Barney, & Anderson, 2013), and it can even be argued that entrepreneurial action involves the process of transforming uncertainty into opportunities (McMullen & Shepherd, 2006). Furthermore, prior research found that perception of risk mediates the relationship between problem framing and risky decision-making behavior (Sitkin & Weingart, 1995). In the entrepreneurial context, perception of risk determines the choices in the entrepreneur's new venture decisions (Forlani & Mullins, 2000). Therefore, we argue that perceived uncertainty on the part of the entrepreneur denotes the extent to which environmental dynamism may affect his or her perception of environmental uncertainty.

However, most literature on uncertainty only addresses the way in which the environmental uncertainty is perceived by entrepreneurial ventures (McKelvie et al., 2011; Song & Montoya-Weiss, 2001) and not how it affects the organization. Milliken (1987, 1990) argues that perception of uncertainty is not the only parameter that should be taken into account. No less important is the way it affects the organization and the way the organization responds to that perceived uncertainty. In her work, Milliken attempts to examine why different organizations, when confronted with the same environmental change, choose different strategies to deal with it. Her model is based on the assumption that three different types of uncertainty exist: namely state, effect and response uncertainty. *State* uncertainty means that organizational decision-makers find at least one element in the environment to be unpredictable, meaning that they do not know and/or understand how key elements in their environment will change. Thus, state uncertainty relates to the unpredictability of the state of the world. This is usually called perceived environmental uncertainty, and this is the type of uncertainty most frequently addressed in the literature. According to Milliken, uncertainty can further exist regarding the effect such a change in the environment will have on the organization; in other words, there may be a lack of understanding of the cause-effect relationship. Thus, while the decision-makers understand that change is taking place in their environment, they do not understand how to interpret this change and how it is going to affect their organization. This kind of uncertainty is called *effect* uncertainty. *Response* uncertainty addresses the lack of knowledge and understanding decision-makers have regarding their options, as well as the outcome of each possible response. Thus, while they may be aware of the changes taking place in the environment and the effect they will have on their organizations, they do not know how to respond to such changes.

Recent research has supported Milliken's approach in conceptualizing different types of uncertainty. A study that examined new product development in software firms, using Milliken's concept of uncertainty (state, effect and response uncertainty), found that entrepreneurs make different decisions with regard to exploitation of opportunities depending on the type of uncertainty involved in the process (McKelvie et al., 2011). Another study validated the construct of uncertainty by showing that managers make a meaningful distinction between different types of uncertainty by following Milliken's distinction between state uncertainty, effect uncertainty and response uncertainty (Ashill & Jobber, 2010).

While research on uncertainty is developing, so far no study has explicitly investigated culture's influences on state, effect and response uncertainty. We argue that understanding the relationship between culture and uncertainty can advance theoretical development in uncertainty research in a significant way. Prior scholarship has recognized that national culture is closely related to individual behaviors toward uncertainty (Hofstede, 1980; Venaik & Brewer, 2010). Research shows, for instance, that in

the Anglo-American culture individuals seek to reduce perceived uncertainty, whereas in the Chinese culture individuals tend to accept or tolerate perceived uncertainty (Pun et al., 2000). However, Chinese have a higher tendency to avoid conflict than Americans (Friedman, Chi, & Liu, 2006). In the following section, we will explore how culture is related to uncertainty and how this creates the basis for the conceptual model presented in this paper.

### 3. The relationship between culture and uncertainty

#### 3.1. Perception of the environment: focal versus contextual

Culture plays an important role in shaping the way people perceive the self and others (Kitayama & Uskul, 2011; Markus & Kitayama, 2010). One key concept to distinguish Western cultures from Eastern cultures is self-construal, defined by the fundamental question “who am I?” (Markus & Kitayama, 1991; Nisbett & Masuda, 2003). Western cultures embrace “the self” as “an autonomous, independent person” (Markus & Kitayama, 1991, p. 226). In contrast, Eastern cultures adopt interdependent self-construal and assume that people perceive themselves “not as separate from the social context but as more connected and less differentiated from others” (Markus & Kitayama, 1991, p. 227). These divergent views of the social construction process of self-construal have an important bearing on people’s perceptions of the environment.

People’s perceptions of their environment are influenced by either a narrow focus (on the self) or a wide context (on others). Based on a comparative examination of the context-rich Eastern environment and the object-focused Western environment, Nisbett and Masuda (2003) found that people from different cultures exhibit different patterns of attention and perception. Asian cultures pay closer attention to context. Western cultures, on the other hand, predominantly direct their attention to focal objects. By definition, a focal object is the foregrounded object against the background and contextual information (Chua, Boland, & Nisbett, 2005). These different characteristics are salient in people’s perceptions, and resonate with the external environment. Objects in Eastern cultures tend to be more complex and interdependent with the context, creating a situation in which the boundary between the object and the context tends to be blurred and obscured. Western environments with distinctive objects focus more on the focal objects rather than on the context, and on the relationships between the object and the context. Research on cultural differences in aesthetic preferences lends support to this “focal versus contextual” argument. It has been found that cultural differences can be reflected in the products of the artistic forms of various cultures, including paintings, photographs and even websites (Huang & Park, 2013; Masuda, Gonzalez, Kwan, & Nisbett, 2008). For example, Chinese bird-and-flower paintings tend to diminish the size and salience of the central figure while emphasizing the field.

Another important concept in cross-cultural management, one that is closely linked to the way people perceive the self and others, is “perspective-taking.” Cultural perspective-taking refers to people’s ability to adopt the perspective of others from a different cultural background (Lee, Adair, & Seo, 2013). People from individualistic cultures are less accurate in assessing their counterparts’ interests as compared to those from collectivistic cultures (Gelfand & Christakopoulou, 1999). Cultural patterns of interdependence and the tendency to focus on the other may cause East Asians to be better perspective takers than Westerners (Wu & Keysar, 2007). Recent research has found that when perspective-taking is used as a metacognitive strategy it can facilitate intercultural coordination (Mor et al., 2013).

In this paper we argue that perception of the environment (focal versus contextual) can affect the entrepreneur’s approach in dealing with the various stakeholders that are part of his or her environment. Western cultures tend to emphasize the focal point in the inter-organizational encounter relationship. Presumably, people influenced strongly by Western cultures attend to the focal stakeholder, rather than others. In contrast, Eastern cultures pay attention to the contextual factors surrounding the focal stakeholder. Hence, people influenced by Eastern cultures may be more inclined to envisage the context of the focal stakeholder as well. In turn, these different foci may determine the entrepreneur’s perception of (state) uncertainty and the consequential response to it. For instance, Atuahene-Gima and Li (2004) found that in new technology ventures the entrepreneur’s perception of uncertainty affected new product development outcomes. Thus, while entrepreneurs influenced by Western cultures will most likely focus on the uncertainty emanating from the focal stakeholders and their behaviors, entrepreneurs influenced by Eastern cultures may also perceive uncertainty emanating from the context, even if little uncertainty is perceived from the focal stakeholder himself.

#### 3.2. Relational sensitivity: work versus non-work setting

Relational sensitivity denotes people’s attention to relational concerns in social interactions (Sanchez-Burks, 2004). Cultural assumptions and their underlying influences largely resonate with the variations in relational focus across cultures. In Eastern cultures, people appear to devote effort to the maintenance of personal relationships. For instance, Indian and Chinese managers oftentimes attend to personal events in their subordinates’ private lives (Kanungo, 1990; Wei, Chiang, & Wu, 2012). In contrast, Western cultures favor maintaining a polite but impersonal and professional style in the workplace (Uhlmann, Heaphy, Ashford, Zhu, & Sanchez-Burks, 2013). Focusing on the task instead of treating things personally symbolizes Western cultures’ independent, individualistic and low-context relational style, exemplified by Americans in general and entrepreneurs of Northern European origin in particular (Sanchez-Burks, 2002).

It is argued that limiting one’s attention to relational concerns can be largely attributed to the Christian-Protestant influences on the Western cultures (Sanchez-Burks, Lee, Nisbett, & Ybarra, 2007). According to Max Weber (1904/1930), Protestant ideology significantly influenced the transformation of work from a necessary evil into a moral imperative, so as to fulfill one’s duty to the nature of one’s “calling” (Weber, 1930). Religion can engender significant behavioral effects on individuals in different cultural settings (Chan-Serafin, Brief, & George, 2013; Tracey, 2012). Drawing on data from 44,030 individuals in 39 countries, one study investigated the influence of the world’s four major religions—Buddhism, Christianity, Hinduism and Islam—and found that religion is positively related to work values (Parboteeah, Paik, & Cullen, 2009). Furthermore, research shows that religion that is less likely to change over time has an important effect on uncertainty avoidance (Tang & Koveos, 2008). A recent study on Christianity’s influences in the USA and South Korea from a comparative perspective found religious centrality as the key antecedent of identity management strategies in the workplace (Lyons, Wessel, Ghumman, Ryan, & Kim, 2014).

Rooted in Protestant ideology, Sanchez-Burks (2002) proposed the Protestant Relational Ideology (PRI) framework to understand the cross-cultural similarities and differences in the relational schemas people use to navigate social interactions. Based on experimental studies, it was found that Americans pay limited attention to relational cues in work settings (Sanchez-Burks, 2002).

In contrast, Eastern cultures tend to blur the boundaries between work and non-work settings. Family values influenced by



Confucianism have important contemporary implications on Chinese organizations and management (Hwang, 2012; Warner, 2010). Extant research has documented interpersonal relationships in the Chinese context, also called “Guanxi,” and their importance in the context of Eastern cultures (Chen, Chen, & Huang, 2013). Guanxi can be regarded as an extension of family norms to business settings (Chua, Morris, & Ingram, 2009) that can therefore affect organizational performance (Luo, Huang, & Wang, 2012). In the context of high-technology firms, the dynamics of Guanxi can influence managerial decision-making and knowledge management (Fu, Tsui, & Dess, 2006). Furthermore, Guanxi can be leveraged to acquire resources for high-tech ventures in China (Liu, Woywode, & Xing, 2012). Given the importance of familial collectivism in Chinese society, Guanxi mirrors this familial collectivism in social and, in particular, business relationships. Therefore, we argue that the differences in relational sensitivity (work versus non-work settings) between Western and Eastern cultures can affect an entrepreneur’s approach in dealing with effect uncertainty in the context of the stakeholders in the entrepreneurial venture. We expect that entrepreneurs influenced by Western cultures will focus on the effect each specific stakeholder’s behavior has on the firm and deal with that event accordingly, while entrepreneurs influenced mostly by Eastern cultures will also take into account the effect this uncertainty has on the context in which the venture exists.

### 3.3. Reasoning logic: analytic versus holistic

Cultures affect reasoning logic, as manifested by the analytic versus holistic reasoning approaches (Nisbett, Peng, Choi, & Norenzayan, 2001). Eastern cultures view behavior as the result of complex interactions between dispositional and other situational factors, whereas Western cultures understand behavior as a direct manifestation of an actor’s participation. The analytical mode of thinking focuses on the object with categorized attributes, hence predicting causality directly (Norenzayan, Smith, Kim, & Nisbett, 2002). In contrast, the holistic mode of thinking tends to pay attention to the field in which an object is embedded, thereby ascribing causality to relationships between the object and the field in place.

From an information processing perspective, culturally dependent cognitive styles affect the types of connections that are drawn between different objects and how these objects are categorized (Armstrong, Cools, & Sadler-Smith, 2012). The analytical cognitive style that prevails widely in individualist cultures pays more attention to objects. In comparison, the holistic cognitive style that prevails in collectivist cultures requires more attention to contextual factors and information (Witkin & Goodenough, 1981). People from Western cultures focus more on individual objects when processing information, so they prefer to engage in classification based on rule-based categorical orientation.

Furthermore, culturally dependent reasoning logic affects people’s behavior towards ambiguity and uncertainty. In Western culture, ambiguity indicates multiple meanings or interpretations, either related or unrelated, and can be associated with a single concept or status (Atherton, 1993). The central argument is inconsistency. Eastern cultures embrace paradoxical thinking, such as the holistic view of Yin-Yang (Fang, 2012; Li, 2012), wherein ambiguity can be accommodated and reconciled through a construction process of meaning. Research shows that Easterners are more comfortable with contradictory situations and display willingness to find the truth in both sides of an issue; in contrast, Americans strive to reduce cognitive dissonance by choosing one approach to favor while rejecting the other (Nisbett, 2003; Peng & Nisbett, 1999).

Whether an entrepreneur favors analytic or holistic reasoning can affect his or her responses in dealing with uncertainty. Western cultures tend to emphasize causal relationships in deploying analytic reasoning, so they develop responses to the dedicated object. In contrast, Eastern cultures manifest a tendency to consider interdependent factors beyond the relationship with the stakeholder. By looking at the “big picture” of indirect factors and/or less explicit relationships, Easterners may shed additional light on the focal relationship by reconciling contradictory observations. These cognitive styles may produce a myriad of response options, while the different reasoning logics entailed may largely underpin the entrepreneur’s response to uncertainty. Thus, we expect that response uncertainty will be different for those that are influenced by Western cultures than for those influenced by Eastern cultures.

### 3.4. Entrepreneur-supplier relationships and the creation of uncertainty

In order to further develop and examine the arguments raised so far, we focus on a particular inter-organizational relationship, namely the entrepreneur-supplier relationship. The entrepreneur’s dealings with suppliers constitute a critical entrepreneurial activity in the context of inter-organizational encounters (Zahra & Wright, 2011). Moreover, sellers and buyers interact with each other dynamically over time, and this leads to uncertainty (Narayandas & Rangan, 2004). As the buyer in this buyer-supplier relationship, entrepreneurial firms normally possess limited resources and constrained bargaining and purchasing power compared to large firms (Gibb, 2000). Therefore, the level of uncertainty in terms of state, effect and response is relatively higher for entrepreneurial start-ups than for larger firms.

The collaboration in buyer-seller relationships constitutes a complex social process that requires paying attention and devoting effort to it, while considering the history and current phase of the relationship (Van de Vijver, Vos, & Akkermans, 2011). The dynamics and potential vulnerability of the supplier-buyer relationship enhance state uncertainty (Anderson & Jap, 2005), and changes in those relationships over time can lead to effect and response uncertainty (Keep, Hollander, & Dickinson, 1998). From the buyer’s perspective, one study found that shared values, increased communication, and reduced opportunistic behaviors enhance trust between partners, which in turn reduces perceived state uncertainty (Morgan & Hunt, 1994). A recent empirical study suggested that small organizations are inclined to foster long-term relationships with suppliers in order to reduce state uncertainty (Adams, Khoja, & Kauffman, 2012). Hence, state uncertainty as well as effect and response uncertainty play an important role in the supplier-buyer relationship (Hoetker, 2005).

## 4. How entrepreneurs deal with uncertainty: a conceptual framework

### 4.1. Chinese returnees versus local entrepreneurs

Context may trigger inspiration to challenge the received wisdom and body of knowledge by prompting questioning of the underlying assumptions and boundary conditions of existing theoretical perspectives (George, 2014; Johns, 2006). In particular, taking context seriously may engender revealing insights for theory building endeavors (Whetten, Felin, & King, 2009). In embracing this view that “context matters” when focusing on theory development, we believe that China is a good test case to examine perceptions of uncertainty among entrepreneurs with different cultural backgrounds in a non-Western setting.

In order to get some preliminary insights into the proposed construct, we conducted four in-depth interviews with two types of Chinese entrepreneurs: (1) returnee entrepreneurs who are "... trained in the United States or in other OECD countries, which return to their home countries to start up a new venture" (Wright et al., 2008: 132) and (2) mono-cultural Chinese entrepreneurs (locals).

#### 4.2. Justification for using case studies as illustration

International business scholars emphasize the importance of the qualitative method for theory extension (Birkinshaw, Brannen, & Tung, 2011; Doz, 2011; Piekkari & Welch, 2006). The qualitative method has been heavily promoted in scholarly international entrepreneurship research (Coviello & Jones, 2004; Jones, Coviello, & Tang, 2011). The case studies method has been broadly utilized for theory building and exploration endeavors (Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Yin, 2003). Importantly, one persuasive approach to using cases is to illuminate the theoretical argument with illustrative cases (Siggelkow, 2007). The purpose of our case utilization is to illustrate our concepts and theories so as to lay the foundation for further empirical investigation.

Furthermore, we use the storytelling method to explore complexities and dynamics in studying how entrepreneurs deal with uncertainty in the context of the supplier–entrepreneur relationship (Liu, Xing, & Starik, 2012). Narrative approaches to cultural analysis have a particular appeal due to their ability to capture the richness and complexity of cross-cultural encounters in organizational life, such as strategic alliances, joint ventures, and mergers and acquisitions (Almor, Tarba, & Benjamini, 2009; Tarba, Almor, & Benyamini, 2012). They also have appeal due to their capacity to go beyond what can be assessed through more traditional sources of data, such as surveys and structured or semi-structured interviews (Gertsen & Söderberg, 2011; Söderberg, 2006). In addition, the narrative approach enables researchers to grasp informants' different sense-giving and sense-making efforts in settings of organizational change and inter-organizational encounters (Gioia, Corley, & Hamilton, 2013; Xing, Liu, Tarba, & Cooper, 2014).

Below, we present case studies of four Chinese entrepreneurs, two mono-cultural and two returnees, who were interviewed by the researchers for this purpose. Contacts with the Chinese entrepreneurs were made through the authors' professional and personal relationships.

#### 4.3. Four illustrative case studies

At the end of 2013 we conducted four in-depth interviews with two returnees and two local, mono-cultural Chinese entrepreneurs. During the interviews they were asked questions regarding the degree of uncertainty that they experienced in their relationships with various stakeholders. The questions used by the researchers were developed according to Milliken's framework (Milliken, 1987, 1990), which she operationalized in her 1990 paper, and which addresses various aspects of state, effect and response uncertainty, with a focus on the relationship between the individual entrepreneur and his or her stakeholders, including suppliers. In this paper, we have only used those answers that pertain to suppliers.

Experience has been used in the literature on entrepreneurship to study human capital (Unger, Rauch, Frese, & Rosenbusch, 2011) and the entrepreneur's reasoning approach (Jones & Casulli, 2014). In line with the literature on human capital and social capital (Davidsson & Honig, 2003), we use international experience as a proxy to capture the extent to which the particular entrepreneur has been exposed to Western cultures and potential influences.

**Table 1**

An overview of the educational and professional work experience of our returnee and local entrepreneur informants.

Experience	Returnee (West)		Local (East)	
	Case 1	Case 2	Case 3	Case 4
Overseas work (years)	8	3	1.5	0
Total work (years)	13	8	13	10
Overseas study (years)	3	6	0	0
Overseas total (years)	11	9	1.5	0
Highest degree	MBA	Ph.D.	M.Sc.	M.Sc.

In Table 1, we present the educational background and professional work experience of the returnee entrepreneurs and local entrepreneurs. The total work experience of both returnees and local entrepreneurs in our cases averages approximately ten years, with returnee entrepreneurs possessing overseas work experience. Besides work experience, overseas study experience constitutes another important component for its influence on individual cognition and behaviors, in that individuals can largely immerse themselves in host country cultures.

In the following sections, we will present excerpts of the interviews and subsequently provide some insights into the commonalities and differences between the ways in which these entrepreneurs deal with uncertainty in entrepreneur–supplier relationship, as well as examining the role of culture in affecting the different types of uncertainty in these inter-organizational relationships. Table 2 offers an overview of selected empirical evidence according to the dimensions of uncertainty, turning a comparative lens on these entrepreneurs' methods for dealing with uncertainty.

Tom (Case 1) obtained his MBA from a top-tier Ivy League business school in the USA. After spending over ten years working for a venture capital firm and a technology consulting boutique in North America, he decided to return China to pursue his entrepreneurial dream. Tom chose to locate his technology-based venture in Wuxi city, approximately one hour by train from Shanghai, encouraged by the local government's entrepreneurship policy program that is meant to attract global talent to China (Liu, 2011). As a returnee entrepreneur, Tom shared his view of the expected degree of change in dealing with suppliers:

I think our relationship with suppliers would not change a lot in the next three years, since we have established a good relationship with respective suppliers. We have a dedicated team to handle supplier relationships. As you know, suppliers offer the necessary input for us to run our venture.

In relating to whether a change in these relationships could engender a threat or opportunity, Tom perceived such change as an opportunity. Tom further highlighted the importance of using analytical tools to comprehend the effect of such change, as well as to analyze and design appropriate response strategies in dealing with the uncertainty of supplier behaviors.

John (Case 2) earned his Ph.D. in engineering from Germany. He worked part-time for a leading conglomerate during his doctoral study period, which allowed him to gain practical experience in the German workplace. After nine years John returned to establish his technology-based venture in China. John also viewed changes in the entrepreneur–supplier relationship as an opportunity:

Our supplier needs to keep up with the fast pace of technological advancement and industry dynamics, as the technology is the driving force for the ICT (Information and Communication Technology) industry. If not, their service may simply become obsolete. So we think the supplier that is with us

**Table 2**  
Dimensions of uncertainty and a comparative lens on entrepreneurs' dealing with uncertainty.

<i>Dimension</i>	<i>Returnee</i>	<b>Selective empirical evidence</b>	<i>Local</i>	<b>Selective empirical evidence</b>
<i>State uncertainty</i>	Focal change	"I think our relationship with suppliers would not change a lot in the next three years, since we have established a good relationship with respective suppliers. We have a dedicated team to handle supplier relationships. As you know, suppliers offer the necessary input for us to run our venture."	Contextual change	"China changes very fast. Our relationship with suppliers also changes fast against this background. Many things can affect this relationship, such as, the government policy may change, or the industry as a whole might change as well."
<i>Effect uncertainty</i>	Professional sphere	"Our supplier needs to keep up with the fast pace of technological advancement and industry dynamics, as the technology is the driving force for the ICT (Information and Communication Technology) industry. If not, their service may simply become obsolete. So we think the supplier that is with us today might be not with us tomorrow!"  "We definitely need to have a good understanding of the reason that leads to supplier change. Especially, we study the competitive situation and map out the reasons that cause this plausible change. Then, we can respond to this particular change with a prepared mind."	Beyond workplace	"No matter if it [change in supplier relationship] is an opportunity or threat; I think it will affect many aspects of our business and private life. Therefore, we need to find the right way to deal with it. Family and friends can help. Most important, Guanxi with other parties can help us to better understand what's going on. Why change suppliers?"  "We need to maintain a good relationship with local government. Despite China's rapid market-oriented economic development, I don't think that Guanxi with government will become less important in the foreseeable future, simply because local government holds the right to allocate many critical resources and confidential information. There could be some governmental policy that affects supplier behavior dramatically. Without the link to government, we would not be able to know and react quickly enough in handling the supplier uncertainty. Of course, as you know, there are also ongoing changes in local government. Therefore, a well-built local network with key players helps a lot in understanding and dealing with uncertainty."
<i>Response uncertainty</i>	Causal and analytical	"We use strategic management tools to analyze the reasons and rationale behind the change, including the resulting uncertainty. We will evaluate the possible outcomes and identify the possible ways in which to respond. For instance, we would oftentimes use a scenario planning tool to predict supplier action as well the market dynamics."	Fuzzy interconnect	"We not only think about the supplier, but also consider many other partners involved. Supplier behavior can affect us as a buyer, just as they can be affected by their suppliers, regulators, and our purchasing behavior. There should not be a clear delineation when talking about entrepreneur-supplier relationships; instead we need to consider the relationship as a whole."

today might be not with us tomorrow! . . . We definitely need to have a good understanding of the reasons that lead to supplier change. Especially, we study the competitive situation and map out the reasons that cause this plausible change. Then, we can respond to this particular change with a prepared mind.

Both Tom and John articulated their concern with state uncertainty regarding supplier behavior within the boundary scope of the workplace environment. Moreover, they referred to using analytical tools to provide ways to deal with effect and response uncertainty. They did not mention the potential influence of the perceived change beyond the professional sphere, such as on family or friends. In contrast, both Nick (Case 3) and Ben (Case 4) oftentimes refer to Guanxi in talking about the influence of the uncertainty of the entrepreneur-supplier relationship and their use of non-analytical tools to deal with effect and response uncertainty.

Nick, who graduated with a Master of Science degree in engineering in China, is the co-founder of an automation equipment company in Shanghai. Before launching his own venture, he worked for a privately owned Chinese business and a multinational technology firm that sent him for 1.5 years to Europe. Taking into account his total work tenure and domestic educational background, his experience qualifies him as a local Chinese entrepreneur. Discussing the influence of potential change in supplier behavior, Nick explained how he and his firm utilized Guanxi and local social networks to understand this change:

No matter if it [change in supplier relationship] is an opportunity or threat; I think it will affect many aspects of our business and private life. Therefore, we need to find the right way to deal with it. Family and friends can help. Most important, Guanxi with other parties can help us to better understand what's going on. Why change suppliers?

Trained as an engineer in an elite Chinese university, Ben co-founded an IC (integrated circuit) design house for the semiconductor industry. Articulating how to respond to a perceived change in his supplier's behavior, Ben explained:

We not only think about the supplier, but also consider many other partners involved. Supplier behavior can affect us as a buyer, just as they can be affected by their suppliers, regulators, and our purchasing behavior. There should not be a clear delineation when talking about entrepreneur-supplier relationships; instead we need to consider the relationship as a whole.

In comparison to the returnee entrepreneurs, the two local entrepreneurs tend not to think about supplier behavior per se, but rather seek to understand this relationship by adopting a holistic perspective. In addition, they seem to display less of a tendency to use analytical tools, instead trying more to integrate Guanxi, local network and other important stakeholders, including the government, in order to deal with effect and response uncertainty. Nick explained the important role of Guanxi in dealing with government:

We need to maintain a good relationship with local government. Despite China’s rapid market-oriented economic development, I don’t think that Guanxi with government will become less important in the foreseeable future, simply because local government holds the right to allocate many critical resources and confidential information. There could be some governmental policy that affects supplier behavior dramatically. Without the link to government, we would not be able to know and react quickly enough in handling the supplier uncertainty. Of course, as you know, there are also ongoing changes in local government. Therefore, a well-built local network with key players helps a lot in understanding and dealing with uncertainty.

This behavior of relying heavily on social networks and peer groups in understanding state uncertainty and reducing effect and response uncertainty echoes recent findings that Chinese private entrepreneurs utilize the social norms of peer private entrepreneurs in guiding entrepreneurial behaviors (Nee & Oppen, 2012). The utilization of Guanxi in dealing with uncertainty resonates with the concept of relational sensitivity. Essentially, our interviews reveal the extent to which entrepreneurs’ dealing with uncertainty might or might not spin off beyond the workplace context in contrasting ways among returnee and local entrepreneurs.

Local entrepreneurs tend to adopt a holistic approach in dealing with perceived state uncertainty regarding suppliers, without doing a detailed analytical exercise. Ben explained his way of dealing with perceived state uncertainty regarding suppliers as follows:

I think strategic tools may be less useful in China, when dealing with supplier uncertainty. What we need is the ability to act on the spot, contingent on the circumstances and situated context. We need flexibility and agility to handle the situation. If we had performed a detailed analysis, perhaps we would have lost the battlefield to our competitors because they could respond quickly to the uncertainty created by the supplier. Generally speaking, people think China is cheaper, however I’d love to correct this, because China is fast and always in flux.”

These four case studies seem to show that local entrepreneurs treat effect uncertainty and response uncertainty differently from returnee entrepreneurs, while the returnee entrepreneurs seem to have adopted a Western, analytical/strategic way of dealing with

uncertainty. As Milliken explains, the local entrepreneurs seem to rely more on social networks to deal with effect uncertainty, and adopt a more holistic view and improvised approach in developing coping strategies to address response uncertainty.

4.4. A conceptual framework and derived propositions

The case studies presented here, combined with the theories discussed previously, lead us to propose a conceptual framework that elucidates the impact of culture on entrepreneurial cognitions concerning uncertainty in the context of entrepreneur-supplier relationship. As illustrated in Fig. 1, we suggest that perceptions of the environment, relational sensitivity, and reasoning logic can jointly influence entrepreneurial cognition and decision-making processes. For simplicity’s sake, we do not consider the interaction effects among these three dimensions. By juxtaposing these three separate streams, our framework offers an integrative view to explain cultural influences on entrepreneurial cognition.

The relationship between entrepreneur and supplier is a social constructive process in which uncertainty emerges through an interactive and dynamic process. In facing uncertainty, culturally dependent modes of thinking can affect the perception and effects of uncertainty, as well as the reaction to it. We argue that entrepreneurs influenced by Western cultures tend to focus on the specific event and therefore, they will mainly perceive change in the supplier relationship as focal change per se. Thus, state uncertainty will be interpreted as change related to a specific event and relationship. In addressing effect uncertainty, entrepreneurs may derive a causal explanation and respond with a concrete solution to tackle the uncertainty, as Western cultures always strive to reduce uncertainty and ambiguity (March, 2010).

In contrast, Eastern cultures tend to consider the contextual factors when examining a focal change. Therefore, entrepreneurs in the Eastern cultures might tend to consider other factors beyond the relationship. The interdependent situations and perceived uncertainty may not be directly linked to the supplier. This effect uncertainty may expand beyond the work setting, with entrepreneurs possibly soliciting information through informal and personal connections, thereby spreading the effect uncertainty into some private sphere. With regard to response uncertainty, entrepreneurs might not dedicate time to analyzing causality and categorizing logical reasoning. Instead, they may scrutinize the interconnection and derive broader approaches to address the perceived uncertainty. Consequently, we posit the following

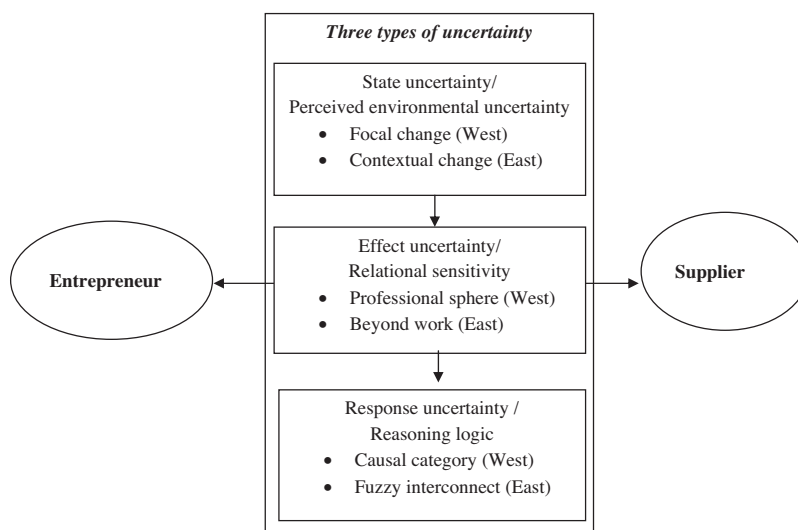


Fig. 1. A conceptual framework of cultural influences on how entrepreneurs deal with uncertainty.



propositions to capture the cultural influences on how entrepreneurs deal with uncertainty in the context of the entrepreneur-supplier relationship, as a proxy for inter-organizational relationships in general.

**Proposition 1.** *Entrepreneurs influenced by Western cultures tend to treat state uncertainty resulting from inter-organizational relationships as a focal change event, whereas entrepreneurs in Eastern cultures are more likely to consider the contextual factors.*

**Proposition 2.** *Entrepreneurs influenced by Western cultures tend to limit effect uncertainty to the professional work setting, whereas entrepreneurs in Eastern cultures are more likely to examine effect uncertainty in a larger context, beyond work.*

**Proposition 3.** *Entrepreneurs influenced by Western cultures tend to respond to perceived uncertainty by tracing causality analytically and responding to it, whereas entrepreneurs in Eastern cultures are more likely to connect multiple factors holistically.*

## 5. Discussion and conclusions

### 5.1. Cultural influences on uncertainty in the inter-organizational encounter

This paper attempts to offer insight into the cultural antecedents of uncertainty in the entrepreneurial context. While most of the entrepreneurship literature is based on Western views, theories, models and data, we believe that time has come to consider the influence of culture on entrepreneurship in general and on the perception of uncertainty in particular. This article addresses how culture influences the way entrepreneurs deal with uncertainty in supplier relationships. Our study argues that the way entrepreneurs cope with uncertainty is influenced by culture. Mass migration and entrepreneurial mobility in today's fast-changing world have generated significant impact on the way that people do business (Almor & Yehekel, 2013; Economist, 2011). Thus, it is becoming more important for the entrepreneur when dealing with inter-organizational relationships to understand how culture affects these relationships. In our conceptual framework of cultural influences on how entrepreneurs deal with suppliers, the different types of uncertainty influenced by cultures can lead to variation in entrepreneurial behaviors.

Using concepts from social psychology regarding cultural differences between West and East, we delineated three key dimensions, namely perception of the environment, relational sensitivity, and reasoning logic, while employing Milliken's conceptualization to explore different types of uncertainty. The three cultural dimensions embody distinctive influences, which, we argue, lead to various ways in which entrepreneurs from different cultural backgrounds deal with uncertainty at the stages laid out by Milliken. Our conceptual framework suggests that cultural influences can significantly affect the entrepreneur's perception of state uncertainty and effect uncertainty, and consequently his or her coping strategies in responding to the perceived uncertainty. We argue that Western-influenced entrepreneurs are focused on the focal event creating the uncertainty, which they want to contain and solve, while Eastern-influenced entrepreneurs try to deal with the change that creates the uncertainty by viewing it in a wider context and looking at it holistically. Thus, we argue that while all entrepreneurs encounter uncertainty resulting from environmental change, not all deal with it in the same way. We further argue that the way uncertainty affects the venture and is responded to, is dependent upon the cultural values of the entrepreneur. We use Chinese returnees and local entrepreneurs to elucidate our conceptual framework and

theoretical argumentation. The illustrative cases lend support to our conceptualization.

Although our conceptual model was developed in the context of the entrepreneur-supplier relationship, we believe the model has potential generalizability for other inter-organizational encounter situations which entrepreneurs frequently find themselves in, such as mergers and acquisitions (Cooper & Finkelstein, 2012) and strategic alliances and joint ventures (Weber, Tarba, & Oberg, 2014). These types of inter-organizational relationships involve diverse social mechanisms such as knowledge transfer (Sarala, Junni, Cooper, & Tarba, 2014), talent retention (Zhang et al., 2014), and cultural influences (Rottig, Reus, & Tarba, 2013; Tarba et al., 2012), among others. The socio-cultural integration process is by nature associated with complexity and uncertainty (Gomes, Angwin, Weber, & Tarba, 2013), which is especially true for cross-border M&As (Liu & Woywode, 2013).

We suggest a theoretical generalizability that should not be constrained by the empirical setting of case studies (Tsang, 2014). Rather, this theoretical argument might offer useful insights to explain cultural influences on inter-organizational encounters that entrepreneurs experience. Furthermore, we acknowledge the boundary conditions of our conceptual model: amid the trend of globalization, cultural influences might be rather mixed and without a clear demarcation (Chen, 2014; Chen & Miller, 2010). For instance, bi-cultural individuals can identify with more than one cultural schema and engage in active cultural frame-switching in response to situational cues (Brannen & Thomas, 2010; Lakshman, 2013). To our regret, this mixed cultural effect is beyond the scope of this paper.

### 5.2. Theoretical implications

This paper contributes to the increasing body of research on how culture influences entrepreneurial behaviors by (1) taking a comparative perspective on Western and Eastern cultures, and (2) examining the role of the individual entrepreneur's perceived uncertainty in the context of the entrepreneur-supplier relationship. Our conceptual framework and illustrative cases argue for cultural influences on uncertainty (Milliken, 1987, 1990). The model proposed here shows how culture can influence the entrepreneur's perception of uncertainty, the perception of the effect the uncertainty has on the venture and the response strategies available for dealing with uncertainty. In addition, our research contributes to the literature on international entrepreneurship by examining returnee and local entrepreneurs in China. Our findings add to understanding of the "returnees versus locals" debate (Li, Zhang, Li, Zhou, & Zhang, 2012). Our research emphasizes the cultural antecedents of entrepreneurial behaviors that may potentially reconcile the inconsistent empirical findings of extant research. Therefore, our research is among the first to identify the role of culture on entrepreneurs' responses to uncertainty in the context of the entrepreneur-supplier relationship. Moreover, we provide illustrative empirical evidence that returnee entrepreneurs deal with uncertainty differently from local entrepreneurs. Our findings emphasize the joint influences of culture and the given inter-organizational situation in shaping the entrepreneur's methods of dealing with uncertainty, a critical concept in entrepreneurship.

Recent research has begun to emphasize the importance of the buyer-supplier relationship within small business organizations (Adams et al., 2012). Our study extends this line of reasoning by offering empirical evidence and a contextualized understanding of cultural influences in examining the entrepreneur-supplier relationship and the role of uncertainty. By examining the individual entrepreneur's perceived uncertainty in dealing with suppliers, we extend prior work on the entrepreneur-supplier relationship and provide a framework within which future



researchers can extend the body of knowledge on this important inter-organizational relationship. Our study reveals the importance of cultural influences on entrepreneurial behaviors in affecting perceptions of the environment, relational sensitivity and reasoning logic in dealing with uncertainty.

### 5.3. Managerial implications

This study offers several implications for the international business community and policymakers. Entrepreneurs should recognize and pay close attention to cultural influences on their entrepreneurial behaviors. Subtle cultural influences can strongly affect their decision-making process and strategy development vis-à-vis inter-organizational relationships and much more. The unprecedented pace of globalization confronts entrepreneurs and business leaders with a globalized business environment. Sensitivity to culture and its influence and the individual capability to capture culture complexity constitute one important element in the process of nurturing future business leaders with a global mindset (Javidan, Teagarden, & Bowen, 2010). Being able to feel comfortable in a new context requires the ability to engage in code-switching between cultures (Molinsky, Davenport, Iyer, & Davidson, 2012). Importantly, business partners might be better off dealing with entrepreneurs who are influenced by different cultures, if they are aware of these cultural influences and their implications for business practice and entrepreneurial behaviors.

With respect to policy implications, against the backdrop of the rising importance of global talent around the world (Collings, 2014), governments are trying to attract returnee talent to their home countries to boost local economies and job creation (Zweig & Wang, 2013). Our research indicates that returnees strongly influenced by West cultures may feel distant from their original cultural roots. This potential conflict or even cultural clash can have a great effect on their entrepreneurial practices. Therefore, we suggest that policy incentives alone are not enough to attract returnee entrepreneurs; cultural training and ancillary services to smooth the cultural retooling process (Molinsky, 2013) are necessary for them to thrive and grow their entrepreneurial ventures successfully. This study can shed some light on policy making and implementation to refine entrepreneurship policy and cultivate an atmosphere that is conducive to returnee entrepreneurship.

### 5.4. Limitations and future research direction

This paper represents an initial attempt to address the question of how culture influences the uncertainty construct for entrepreneurs dealing with suppliers by presenting a conceptual model and propositions that are illustrated by four case studies of returnee and local entrepreneurs in China. We suggest that future research efforts attempt to validate this conceptualization by using an empirical quantitative approach. In addition, future research can compare entrepreneurs in emerging economies with their counterparts in advanced economies, so as to attain an enhanced understanding of comparative international entrepreneurship (Terjesen, Hessels, & Li, 2013). Dealing with uncertainty constitutes an essential element in entrepreneurial decision-making (Shepherd, Williams, & Patzelt, 2014); therefore, we suggest that future research endeavors might significantly enhance understanding of entrepreneurial decision-making by building upon our conceptual model of cultural influences on uncertainty.

Another fruitful research stream relates to the recent debate on indigenous theory development in international business research (Holtbrügge, 2013; Jack et al., 2013). The key argument of indigenous research is to take context seriously and explicate the assumptions of theory. Culture is a central qualifying factor in

multiple dimensions of context and entrepreneurship (Zahra, Wright, & Abdelgawad, 2014). Furthermore, culture can interact with other dimensions of context, including the institutional, economic and social, among others (Teagarden, 2013), to influence individual behaviors. Hence, we suggest further research may build upon our conceptualization of cultural influences to add additional contextual dimensions so as to gain a more comprehensive understanding of context and its influence on international business in general and international entrepreneurship in particular.

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