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<th>Relationship between the birthplaces of the founders and the industrial sectors of the companies: contrast between north and south China</th>
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</table>
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Relationship between the Birthplaces of the Founders and the Industrial Sectors of the Companies: Contrast between north and south China
(論文題名)

Relationship between the Birthplaces of the Founders and the Industrial Sectors of the Companies: Contrast between north and south China

(内容の要旨)

This study is on the relationship between the birthplace of the founders and the industrial sectors of the company they started up. In real business scenarios, we talk constantly about where the businessmen and their companies come from. However, research about the industrial sectors of the companies have never focused on the birthplace of the founders. Right now, we already know that factors such as the education background and the moving experience of the founder affect the performance of the start-up company and know that according to the economic geography, the factors such as historical and the geographic characteristics effects on the industrial sectors in specific regions. However, we still don’t know that as an important property of the entrepreneurship but always ignored by us, if birthplace of the founder affects companies’ industrial sectors. To fill the gap, as an individual characteristic, birthplace of the founders is used to challenge the traditional economic geography theories which dominating the researches of industrial sectors. By analyzing the founders’ birthplace and the industrial sectors of listed companies in China, the result supposed to contribute to find more potential start-up companies for the investors and judge the value of investment.
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Chapter 1. Introduction

1.1 Background

This study is on the relationship between the birthplace of the founders and the industrial sectors of the company they started up. In real business scenarios, we talk constantly about where the businessmen and their companies come from. However, research about the industrial sectors of the companies have never focused on the birthplace of the founders. Right now, we already know that factors such as the education background and the moving experience of the founder affect the performance of the start-up company and know that according to the economic geography, the factors such as historical and the geographic characteristics affects on the industrial sectors in specific regions. However, we still don’t know that as an important property of the entrepreneurship but always ignored by us, if birthplace of the founder affects companies’ industrial sectors. To fill the gap, as an individual characteristic, birthplace of the founders is used to challenge the traditional economic geography theories which dominating the researches of industrial sectors. By analyzing the founders’ birthplace and the industrial sectors of listed companies in China, the result supposed to contribute to find more potential start-up companies for the investors and judge the value of investment.

1.2 Purpose of the Research

Different regions have different lifestyle, values, custom, politics, etc. These elements all affect people who born there and follow them even they migrate and integrate into new regions and environment. Birthplace seems to be an important characteristic. However, especially the birthplace of entrepreneurs is not drawn enough attention. Other characteristics including the migration routine, education background or even race attract
more attention than birthplace do. It is necessary to investigate that how birthplace affect entrepreneurs’ company.

At the same time, thousands of companies are founded every year. Especially in China, attracted by the temptation of the still-growing huge market and the probability to get great fortune overnight, adventurers are greedy to try their luck by flocking to popular industrial sectors such as EV or IT. However, people are hard to succeed in fields which they do not suit, but they may never realize until the failure. The research of entrepreneurship and the economic geography tells us that there are key factors affects on the companies’ performance and the distribution of the industrial sectors. The birthplace of the founder, which is ignored so far, should be one of the key factors. Therefore, this study picks the two key factors, birthplace of the founder and the industrial sectors of their companies, to figure out what relationship exists.

Up to the present moment, we have already known that the education background, such as the degree and the major of the founder affect on the companies’ industrial sectors and performance, also the moving experience do. At the same time, we have known that factors such as local geography and history will lead to specific industrial advantage, for example, the resource of the raw materials and the custom of craft will bring the advantage of manufacture. However, we still don’t know the relationship between the key factor “birthplace of the founders” and “the industrial factors of the company”. The people born in specific regions supposed to found companies and succeed in specific industrial sectors.

In order to fill the gap, this study need to collect the data of the listed companies in China. The data include the information of the founder and the company. For the information of the founder, the key factors should be the birthplace and the controlling factors include educational background, where they spent their student life and where they started the companies. For the information of the company, the key factors should be the industrial sectors the companies are in and the controlling factors should be where the headquarters in and how much the founder hold the stock. These data could be gain in two authoritative databases in China.
To practice contribution, this study is supposed to provide the investors one more important factor in order to find the venture who has more potential. Investors tend to judge the value of the venture companies by finance charts and the market. The background of the founder is a factor which tend to be ignored in most occasion, especially the birthplace. Otherwise, this study will also provide a reference for the pioneers to choose the more appropriate business they should start up. The industrial sectors which tend to have higher rate to succeed for specific founders should becoming a better choice.
Chapter 2. Literature Review

2.1 Literature about Economic Geography

About the cause of specific regional industrial features, numerous geographic theories of new industry and the company contained in it could become the argument. The existence of cultural environment which fit for specific industrial sectors (Saxenian, 1994), the accumulation of professional knowledge (Cooke & Morgan, 1993; Malmberg, 1996), the existence of specialized labor market (Scott, 1988) and the gathering of related industry or company (Piore & Sabel, 1984) are regarded as the explanation for the features of specific regions. In order to analyze the hypothesis that the founders born in specific region tend to start up companies among the same industrial sectors, these literatures could be the proof of the environmental affection on the founders. Although these theories are not directly related to the hypothesis, they could help us to understand the external factors of the founders.

On the contrary, it is said that traditional economic geography overvalued the agglomeration (Coe and Townsend, 1998). Even though among the specific agglomeration, in the occasion which specialization are extinguished, it was concluded that the agglomeration could not be formed because of the advantages in operation within the group (Oakey et, 2001). These theories contradict the ones of traditional economic geography. It is not inevitable that among the same region, all the companies in specific industrial sectors have advantages.

2.2 Literature about Entrepreneurship

For the term of entrepreneurship, during the start-up period, the important characteristics an entrepreneur must have include innovativeness and the will to act (Tibbits, 1997; Bird, 1989). The entrepreneur must have to give solutions for the changing situation.
Successful entrepreneur needs the capability to take risks, innovativeness, knowledge of how the market functions, manufacturing know-how, marketing and business management skills, and the ability to co-operate (Casson, 1982).

As stated above, we have already known that the regional industrial sector tendency is mainly determined by geographic and historical factors. The individual entrepreneur also affected by these factors. On the other hand, the type and the performance of the companies these entrepreneurs found also affected by their individual experience such as the routine of the migration, education background and even the structure of the family.

So, it is easy to associate that if another factor of the entrepreneur’s “birthplace”, which is also a regional property affected by geographic and historical factors, could determine the industrial sector of the companies they found. Unfortunately, especially among Chinese entrepreneurs and companies there are barely researches exist and unable to give us the answer. In China, subconsciousness that people from some specific regions are good at research and study and those from other regions are good at politics. Naturally the awareness that people from specific regions are good at business also exists. Likewise, further judgement that businessmen from specific region are good at specific business such as logistics and manufacture.

Therefore, we still don’t know how the birthplace of the founders affect the industrial sectors of their companies. This paper is to clarify this relationship.
Chapter 3. Hypothesis

3.1 Hypothesis 1

According to the economic geography, areas located in high latitude are supposed to have advantage in manufacturing, because of the resources, climate and history, etc. As a hypothesis which is expected, the industrial sectors of entrepreneurs’ companies are affected by the birthplace of the founder. Especially, entrepreneurs born in specific regions are good at starting and managing specific type of companies. The industrial sectors of these companies are familiar or the same. Because of the consideration of data’s accessibility, the companies listed in Shanghai Stock Exchange and Shenzhen Stock Exchange are illustrated. The fact of listed in public could also an essential fact of well performed.

The basis of the judgement should be among a specific industrial sector, the number of founders born in specific region is obviously more than other regions even though after the population dilution. As a hypothesis, the people from north China have higher rate of success in starting up manufactural companies while the people from south China have higher rate of success in starting up companies in service sectors including commerce.

The specific appearance could be the founder of manufacturing companies have higher possibility of born in north China. Because of the potential population difference between north China and south China, the comparison is also supposed to be adjusted according to the population.

3.2 Hypothesis 2

Although entrepreneurs from north China tend to start manufacturing companies, considering the difference of business culture and macro-economic environment, it is
supposed that the performances of the companies founded by people from difference areas are regularly different.

The aspect of Chinese economy has changed in the last 20 years. The advantage of heavy industry in north China has become subtle due to the rise of southern private factories and the transformation of the economic structure. The products with higher profit are not produced in the traditional factories in north China but in the factories owned by the companies which have advantage for their business mode in the south. The GDP and average income in south China are also growing fast. According to these facts, a hypothesis can be speculated that companies founded by entrepreneurs born in south China have better performance than the others.
Chapter 4. Methodology

4.1 Data

To fill the gap and complement the analysis, we need to collect the data which is necessary. The relationship between the birthplace of entrepreneurs and the industrial sectors their companies is supposed to be analyze, we need to determine the circumscription of the data. For what kind of entrepreneurs we investigate, two qualifications should be considered. One is the value of the sample and another is the accessibility of the data. By integrating these two conditions, founders of listed companies in China should be the sample. Listed companies could be comparatively successful ones and have more value to investigate. On the other hand, it is almost impossible to get the information and data of the companies which are not open to the public, especially the information of the founders. The other part of the data we need to collect is the industrial sectors of these companies. Listed companies are all opened to the public, so this data is also available.

For the information of the entrepreneurs, we could acquire it by access to a finance

Exhibit 1. Founders of Listed Chinese Companies Divided by Birth Province

(Source) Data from CSMAR, organized by author.
database called CSMAR. CSMAR is an authoritative database which is run by GTA. It provides financial statement, stock market trading, corporate governance, merger & acquisition, and shareholders research, etc. Birthplace of the entrepreneurs are available in this database. For the industrial information of the companies, we can get it from the stock exchange’s announcement. Sample size is the listed companies which are open to the public. Although the data we get is all qualitative, after the adjustment quantitative result is also expected.

4.2 Methodology and Analysis

Realistic data is acquired and after analyzed conclusion are expected and this conclusion could be extensively adapted. Turning the phenomenon into a theory, inductive argument turns out to become a proposition development.

The original data is qualitative but after the regression analysis the result will become a quantitative one. The birthplace of the entrepreneurs are independent variable and the industrial sectors of their companies are the dependent variable.

To compare founders born in different provinces, the number of the founders could be interfered by the population base of various province. Table 2 is the data coordinated according to the population.
Among these data, founders of manufacturing companies need to be filtered again. Table 3 is the percentage of the manufacturing companies divided by provinces.

Table 3. The Percentage of Companies in Manufacturing Sector

(Source) Data from CSMAR, organized by author.
After these processes, the manufacturing companies founded by founders born in north or south coordinated according to population could be assumed.

\[
\frac{\text{Number of listed manufacturing companies founded by one born in north China}}{\text{Population of north China}} = 0.012499195
\]

\[
\frac{\text{Number of listed manufacturing companies founded by one born in south China}}{\text{Population of south China}} = 0.018218
\]

As a conclusion, the manufacturing companies with relatively excellent performance founded by founders born in north China tend to be less than those born in south China after coordination based on population.

Additionally, the data of the percentage of the manufacturing among listed companies sorted by province and the location of the province could be used for plot graph analysis. After input the data of the companies and the location to SPSS a graph below is generated.

Table 4. The Percentage of Manufacturing among Listed Companies sorted by Founders Born in Which Province and the Latitude

(Source) Data from CSMAR, organized by author.
From this graph the R is too low to give any conclusion. It is even could concluded that there’s hardly any relationship between the manufacturing percentage and the latitude of the province.

If we use the percentage of manufacturing among the listed companies sorted by founders born in which province and the location from the longitude aspect again, the graph below can be given.

Table 5. The Percentage of Manufacturing among Listed Companies sorted by Founders Born in Which Province and the Longitude

(Source) Data from CSMAR, organized by author.

From this graph a comparatively higher R could be generated. A conclusion that founders born in provinces with higher longitude have higher percentage in manufacturing among the listed companies.
However, this R still could be said to be too low to give conclusion. This time we simply use the data of the listed companies’ founder and the location of the birthplaces.

Table 6. The Population Based Founders’ Number Sorted by Provinces and the Latitude of the Province

![Population Based Number of Founders for Latitude](image)

(Source) Data from CSMAR, organized by author.

Table 7. The Population Based Founders’ Number Sorted by Provinces and the Longitude of the Province

![Population Based Number of Founders for Longitude](image)

(Source) Data from CSMAR, organized by author.
For these two graphs, an obvious conclusion that the population-averaged listed companies of the provinces with higher longitude are higher than the provinces with lower longitude.
Chapter 5. Conclusion and Discussion

As practice contribution, if the hypothesis above is verified, this study is supposed to provide the investors an unexpected key factor to judge the potential of the company. Formerly, investors tend to judge the value of the venture companies by finance charts and the market. According to the result of the study, some special phenomenon could be explained and let the investors attach more importance to entrepreneurship. Otherwise, this study will also help the start-uppers to determine the more suitable business which they are able to exert their gift.

As a result, companies founded by entrepreneurs born in south China do not tend to have higher performance including manufacture. However, the surprising result is concluded that the listed companies founded by entrepreneurs born in provinces with higher longitude have higher percentage of manufacturing. The industrial structure is appropriately influenced by the entrepreneurship, which is determined by the longitude of the place where he or she was born.

What’s obviously easy to get is the companies founded by the entrepreneurs born in provinces with higher longitude tend to have more chance to get listed than those founded by entrepreneurs born in provinces with lower longitude. Though this is only one element after several more influencing factors.

This demonstrated that the difference between north China and south China is not worth to focus on compared with the difference between east China and west China.
References


1. Original Data Sorted by Province

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