

Paths to improve business resilience and risk coping strategies of African Chinese businessmen

-- Based on field investigations in Wenzhou China

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Abstract: In recent years, the number of Chinese businessmen in Africa has been growing. Restricted by objective factors such as Africa's development stage and business environment, this group is facing many risks such as political conflicts, investment risks and social security. Based on a field survey conducted in Wenzhou, Zhejiang Province, China, this study analyzes the practices of Wenzhou businessmen to enhance their business resilience by expanding ethnic economy, grafting business networks, non-transferable industries, and transnational resource integration. It is suggested that African Chinese businessmen should prevent and resolve business risks by taking measures such as industrial upland, operation localization, production localization, and employee localization. Promote China-Africa cooperation.

Keywords: Business resilience, Risk coping strategy, Chinese businessman, Africa.

1. Introduction

Africa is an extension of the history and nature of the Belt and Road Initiative. Since the establishment of the Forum on Sino-Africa Cooperation (FOCAC) in 2000, the cooperation between China and Africa has gradually entered a fast track. Although there was a slight decline due to the temporary impact of the COVID-19 pandemic, Sino-Africa trade has recovered strongly since 2021, and China's investment in Africa has become increasingly active. In 2022, China-Africa trade volume further increased to US \$282 billion, a year-on-year increase of 10.9%, and China has remained Africa's largest trading partner for 14 consecutive years. In 2021, China's direct investment flows to Africa increased to 4.99 billion US dollars, an increase of 18% year-on-year, accounting for 2.8% of China's outbound direct investment flows. The stock of direct investment in Africa rose slightly to US \$44.19 billion, close to the pre-epidemic level [1].

In the mid to late 1990s, especially since the establishment of the Forum on Sino-Africa Cooperation in 2000, a large number of Chinese businessmen have flocked to Africa in search of development opportunities, with a variety of sources, a single migration motivation, and rapid development [2-3]. According to an estimate by McKinsey in 2017, more than 10,000 Chinese companies have invested and operated in Africa [4]. Domestic sources from Guangdong, Zhejiang, Fujian and other coastal hometown of overseas Chinese spread to inland provinces. Through direct investment, joint ventures or sole proprietorship, Chinese businessmen are operating in many industries in Africa. In addition to traditional industries such as retail, catering and trade, they are also widely involved in many emerging industries such as infrastructure construction, manufacturing, agriculture and mining, and have close ties with China. With the expansion of investment fields and the diversification of investment forms, some Chinese businessmen choose to enter African countries and regions with insufficient investment and political instability. Since 2019, resource-oriented investment has gradually decreased and shifted to market-oriented investment. Chinese businessmen have gradually become an

important intermediate link in the local trade and retail industry in Africa, establishing business networks and cooperative relations on the African continent, bringing new impetus and opportunities for local economic development.

2. Theoretical Basis and Field Investigation

2.1. Theory and Literature

Resilience was first proposed by Canadian ecologist Holling in 1973 and used to describe the ability of a system to maintain the original state after being subjected to natural or human disturbance, or to recover itself quickly after being damaged. Later, it has been widely applied in engineering, economics and other research fields [5]. Since the international financial crisis in 2008, regional economic resilience has attracted wide attention and become a research hotspot [6]. The global coronavirus pandemic, which began at the end of 2019, has once again sparked a wave of research on regional economic resilience. Resilience can help organizations and their members resist risks, overcome adversity, restore balance, and even achieve growth and development, and is regarded as an ideal trait that helps organizations and their members cope with multiple adversities [7]. According to regional economists, resilience mainly includes four parts: vulnerability, resistance, adaptability and resilience, and its evolution process includes two key stages: crisis resistance and adaptation resilience [8]. With the deepening of economic dependence of various countries in globalization, the global economic cycle, economic fluctuations of major countries, and economic turbulence of trade and investment partners have greatly increased the vulnerability of a country's economy. Under the premise that external disturbances are unforeseeable and unavoidable, enhancing economic resilience has become the most effective way to cope with external shocks.

In the realm of overseas Chinese, resilience plays a significant role due to the unique challenges faced by entrepreneurs operating in foreign markets. Research highlights that Chinese businessmen often display

considerable resilience, which is influenced by various factors including cultural identity, social networks, and cross-cultural adaptability. Gibb explores the role of risk and resilience in entrepreneurship, emphasizing how resilience enables entrepreneurs to navigate through economic and operational uncertainties effectively [9]. This foundational work provides a broad understanding of resilience in business settings and sets the stage for more specific investigations into diaspora entrepreneurship. Zhou and Lee specifically address resilience among Chinese businessmen in overseas markets [10]. Their study reveals how Chinese entrepreneurs leverage their cultural heritage and community support to overcome market fluctuations and regulatory challenges. Wang and Liu examine how cultural factors impact resilience in diaspora entrepreneurship, focusing on Chinese businessmen in Europe [11]. Their findings indicate that cultural identity and adaptation strategies significantly contribute to the resilience of Chinese businessmen, highlighting the interplay between cultural factors and entrepreneurial success. Jiang and Zhang further investigate the role of social capital in enhancing resilience among Chinese overseas businessmen [12]. Their research demonstrates that social networks and community support are pivotal in helping businessmen navigate challenges, thereby strengthening their resilience in foreign business environments. Huang and Yang offer insights into the impact of family support on resilience among Chinese businessmen [13]. Their study shows that strong family networks provide essential emotional and practical support, which enhances businessmen's ability to withstand and recover from business challenges. These studies collectively provide a comprehensive view of resilience in the context of Chinese overseas entrepreneurship, illustrating how cultural, social, and familial factors contribute to the ability of Chinese businessmen to thrive in diverse and often challenging environments.

2.2. Field Investigation Area

In this study, Wenzhou in Zhejiang Province, located in the southeast coast of China (As shown in Fig. 1), is selected to conduct field investigations and conduct in-depth interviews with businessmen who have invested in Africa. The total number of overseas Chinese in Zhejiang reaches 2,020,400, distributed in more than 180 countries and regions, showing a spatial distribution pattern of "global distribution and regional accumulation", with Europe, Asia and North America ranking the top three, and South America, Oceania and Africa less in number. Wenzhou is the city with the largest number of overseas Chinese in Zhejiang, with a total of 688,900, accounting for 34.1% [14]. Although Africa is not the ideal place for Chinese emigrants, it has been developing rapidly in recent years. Under the background of Sino-Africa cooperation to build the Belt and Road and the community of shared future, more and more enterprises and businessmen from Zhejiang have entered Africa to start their own business and become an important group of overseas Chinese in Africa and a non-governmental force to promote Sino-Africa cooperation.

Wenzhou has a long history of emigration, the rise of new immigration after the reform and opening-up caused the number of overseas Chinese from 30,000 to nearly 700,000, the destination from Japan, Western Europe and North America and other developed countries and regions spread to 128 countries and regions. It is known that as early as 1933, Cheng Zhiping, a young man from Wenzhou Yongjia County,

who came to West Africa alone to sell porcelain in the Gabon Republic, which was still a French colony at that time, and stayed there married his wife, and settled down. His son is Jean Ping, a prominent African politician who later became a major figure in international politics. Wenzhou people enter Africa on a larger scale may begin around 2006, some enterprises and businessmen began to turn their eyes to Africa, the clothing, shoes and hats, hardware plumbing, household appliances and other small commodities export or sale to Africa, the main body is the market personnel sent by enterprises to Africa and the free flow of businessmen, because they seize the market opportunities, they have achieved good results. By the end of 2019, there were more than 20,000 businessmen in Africa, although the total amount was not large, but the growth rate was significant (As shown in Fig. 2).

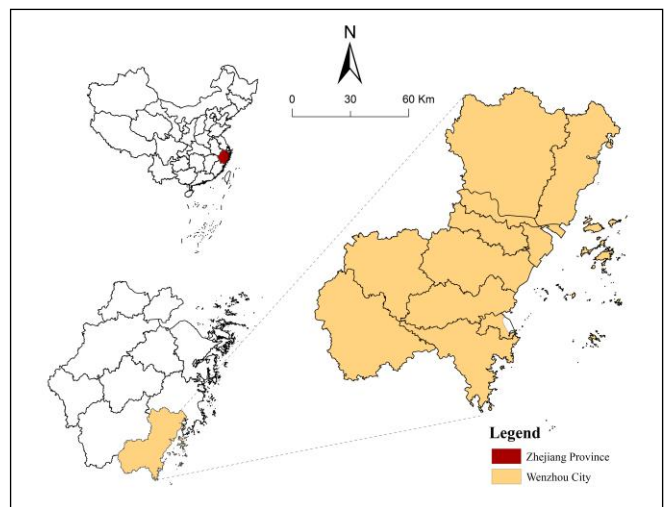


Figure 1. Field investigation area

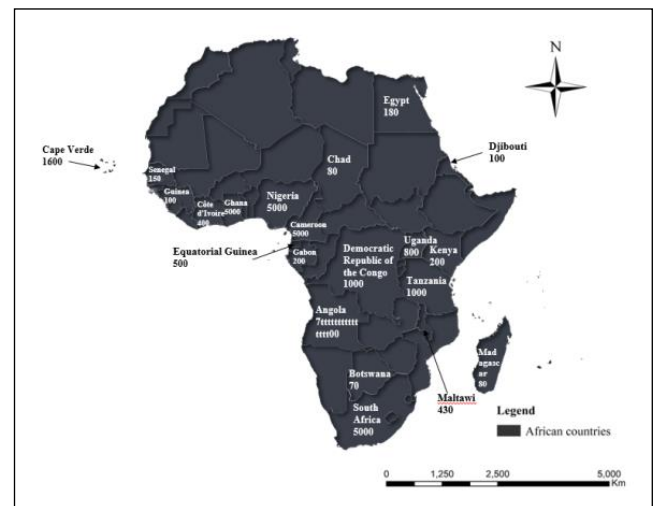


Figure 2. Distribution of Wenzhou businessmen in Africa

3. Analysis of the Operational Risks in Africa

Compared with the developed countries in Europe and the United States that are favored and concentrated by Chinese businessmen, Africa is the continent with the largest concentration of developing countries, and it is difficult to improve the business environment. The risks faced by Wenzhou businessmen are mainly manifested in the following three aspects:

3.1. Political Level: Violent Clashes Occur

Under the influence of political factors such as history, ethnicity, religion, borders and parties, some African countries often break out ethnic conflicts, partisan disputes, ethnic conflicts, border disputes and terrorist attacks, which seriously affect political stability and social harmony. In recent years, civil wars have broken out in Liberia, Cote d'Ivoire, Angola, Congo, Burundi, Libya and Sudan, terrorist attacks have occurred in Egypt, Nigeria and other countries, and armed coups have taken place in Burkina Faso, Niger, Mali and Gabon. A series of political events have greatly shaken the confidence of foreign investors, including Chinese investors. Ethiopia, once known for learning from China's development model and gathering warm businessmen and Chinese businessmen, is an important air transit station for Chinese in and out of Africa, undertaking many labor-intensive industries transferred by China. In 2020, due to ethnic conflicts, civil war broke out, lasting for two years, and almost interrupted the country's development process. The Republic of Gabon, which Wenzhou people are familiar with, is the hometown of Mr. Jean Ping. The coup d'etat occurred on August 30, 2023, which greatly affected the businessmen who invested and operated in Gabon. As early as 2016, some businessmen chose to leave Gabon and return home due to the increased political risk. The political system imposed on Africa by Western countries and the problems left over from history are not only a spell of development imposed on African countries, but also provide a pretext for western armed intervention. Violent conflicts of all kinds occur from time to time, and it is difficult to provide a stable political environment for the "sweet country economy" of moderate business.

3.2. Economic Level: Investment Risk is Accompanied

African countries generally welcome foreign investment, but all kinds of explicit and implicit investment risks are accompanying. The ability of African countries to withstand international economic risks is generally low. Since the 2008 world economic crisis, major African economies have experienced serious inflation, the value of sovereign currencies has shrunk, and the exchange rate against the US dollar has weakened. In the case of Zimbabwe, at the beginning of independence in 1980, the Zimbabwean dollar was 1:1 to the British pound and 1 to the US dollar: 1.5. From 2000 to 2002, the leader Mugabe implemented radical land reform and was subjected to severe economic sanctions for violating white and Western interests. Zimbabwe's economy fell into hyperinflation. In 2008, the inflation rate exceeded 1,120,000%, and the government issued 100 trillion new banknote (real value of 25 US dollars). It is one of the wonders of human monetary history. African countries have limited foreign exchange reserves, long bank acceptance cycle, RMB is not freely convertible with the currencies of most African countries, and the cross-border flow of funds is complicated, which must be converted into US dollars and then remitted back to China. However, there are very few branches of non-Chinese banks, and Wenzhou businessmen can only pay high fees to exchange US dollars or transfer money through the black market. The financial system of African countries is fragile, it is difficult for Wenzhou businessmen to apply for loans, because it is difficult to apply for domestic loans in China without collateral, and financing

is extremely difficult. Most African countries have inherited the legal systems of their original countries, with sound labor laws, powerful trade unions and strong awareness of workers' rights protection. Official corruption is serious, work efficiency is low, eating cards are common. Although Africa is rich in labor resources, its people are poorly educated and inefficient, and can only do low-skilled jobs. All of the above factors lead to the risk of warm business investment is difficult to control.

3.3. Social level: Security Incidents Emerge in An Endless Stream

In some African countries, the social security situation is poor, criminal and public security cases are frequent, and armed robbery cases against Chinese citizens occur frequently, which is impossible to prevent and often causes casualties and property losses. Based on interviews with African temperate traders in recent years, almost all of them have experienced armed robbery, especially in South Africa, Nigeria, Angola and other temperate traders gathered in southern, west and central African countries. The reason is that these countries are seriously unemployed and underemployed, and they are willing to take risks in order to survive. For example, in 2018, before the outbreak of COVID-19, the World Labor Organization (ILO) estimated that the employment rate of the working population in Africa was 59.1%. By gender, the employment rate of men was 68.1%, while that of women was only 50.3% [15]. Angola is a country with a large number of Chinese businessmen. At the peak of 2014, there were about 2,000 people in Angola. Although individual residents were not allowed to carry guns in the country, due to the long-term civil war, there were a large number of guns in the country. According to the statistics of Angola National Police, in 2021, a total of 20,953 criminal cases occurred in the capital Luanda, with an average of nearly 60 cases per day. In the same year, Angola's unemployment rate reached 32.9% [16]. In order to protect themselves, Wenzhou business can only spend money to eliminate disasters or take preventive measures such as strengthening security, hiring private security guards and reducing the number of times they go out.

4. Paths to Enhance Business Resilience

The Economist, a British think tank, once described Africa as a "promising continent" with a population of more than 1.4 billion. African countries are in a critical period of industrialization and urbanization, and are full of business opportunities. Opportunities often coexist with risks. In order to cope with the harsh business environment and risks in Africa, Wenzhou businessmen take differentiated measures according to local conditions to withstand various risks and challenges.

4.1. Enhance Crisis Resistance

4.1.1. Strengthening ethnic economies

Looking at the migration paths and strategies of Wenzhou people to overseas, most of them migrate by means of the chain of social relations such as blood, geography and industry, and cluster together in the place of migration to form ethnic settlements and ethnic economies, with Prato city in Italy being the most typical. Wenzhou businessmen continued to replicate this philosophy of migration and survival when exploring the African market. Like sweet potato, they

established themselves in a region and an industry and then spread from the place to the surrounding area to expand the ethnic economy. In the early stage, Wenzhou businessmen were mainly engaged in trade wholesale and processing and manufacturing industries, mainly concentrated in the capital cities and large and medium-sized cities of African countries, and the region was relatively fixed. Due to the small number of people, only a few countries such as South Africa and Nigeria established overseas Chinese organizations such as Wenzhou Fellow Association. In other African countries, Zhejiang businessmen from other cities in Zhejiang set up chamber of commerce organizations to help each other. On the other hand, Chinese businessmen from Jiangsu, Shandong, Anhui, Henan and other province mostly follow local central and state-owned construction enterprises to "borrow ships and go to sea." After working for several years to get familiar with the environment of African countries, they leave the enterprises and stay in the local area to start their own business, undertake subcontracting business of state-owned enterprises or provide supply business services to state-owned enterprises, and distribute along the construction industry chain. Follow the migration flow of construction projects.

4.1.2. Graft business networks

Although Wenzhou businessmen are scattered in the African continent, they do not spread throughout the country, but gather in the capital and large and medium-sized cities of the country. They skillfully graft the business network on the local business network, control the wholesale at the source, and local business are responsible for distribution and retail, which can reduce sales costs and security risks. However, African countries have poor infrastructure, lack of job opportunities in small and medium-sized cities and rural areas, a large number of people migrate to the capital and cities of the country. Their consumption power is limited. If they blindly build their own business network, not only logistics costs will be high, but also risks will increase sharply. Therefore, Wenzhou businessmen mostly concentrated in the capital and central cities with relatively good transportation, living, medical and public security conditions, controlled the upstream wholesale business, transferred the retail and distribution terminal business to local merchants, and formed a community of interests with local merchants, which greatly reduced operating costs and enhanced the ability to resist risks.

4.2. Adjust to Recovery

4.2.1. Transfer industries to Africa

Under the combined action of wenzhou's shortage of industrial land resources, rising labor costs and intensified environmental protection supervision and African countries' rich land and labor resources with low prices and broad market prospects, some traditional labor-intensive industries with comparative advantages in Wenzhou, such as clothing, leather shoes, ceramic tiles and other building materials, plastic woven bags and hardware products processing, have begun to transfer to Africa. Wenzhou businessmen export technology, equipment, standards, talents and other elements from China, invest and build factories in African countries, based on the local market, radiation to the African continent, some are aiming at the European and American markets, reduce trade tariff barriers. Taking Wen businessman Wang Jianping as an example, after encountering trade barriers to Nigeria, since 2004, he has invested more than 13 million US dollars to register the establishment of "Hassan (Nigeria) Atlantic Industry Co., LTD." in Nigeria, and built the largest

shoe manufacturing multinational enterprise in Africa with an independent plant and an annual output of 6 million pairs of leather shoe production line. The introduction of Wenzhou advanced shoe-making equipment and technology to Nigeria, most of the products are sold to Europe, not only for the local hundreds of employment opportunities, improve the local people's professional skills, Hashan shoes company also on the road of internationalization, break into a new world. Wang Jianping and Hashan Shoes are not the only Wenzhou businessmen and companies responding to the risks of doing business in Africa by moving low-energy industries there.

4.2.2. Integrating resources across borders

Wenzhou businessmen have a keen sense of market and business sense, and are good at integrating resources. Due to the long-term colonization and plunder by Western countries, African countries have missed the opportunity of industrialization and become poor and backward regions. According to the United Nations Human Development Index (HDI), African countries account for 31 out of 36 countries with low human development level, except Seychelles, Mauritius and Algeria, which are in the upper middle level [17]. When receiving all kinds of business information about Africa, not only Wenzhou businessmen in China, but also Wenzhou businessmen all over the world will gather in Africa. After years of accumulation, the commercial energy accumulated by Wenzhou businessmen in the world should not be underestimated. For example, a Wenzhou businessman was known during fieldwork, He came to Italy in the early 1990s and engaged in garment import and export trade. In 2014, he was introduced by friend to invest in building materials and mines in Angola. Angola has rich fishery resources, huge agricultural potential and booming housing market, so he tried to enter Marine fishing, agricultural planting and real estate development. The prospects lured his Wenzhou businessman friends in Dubai and Italy to buy in. When Wenzhou businessmen are optimistic about Africa, Wenzhou businessmen around the world and their resources will quickly accumulate in Africa.

4.3. Social Integration is Rooted

4.3.1. Fulfilling social responsibilities

Rootfulness refers to an organization's dependence on specific regional environmental relations such as institutional arrangements, social culture, values, customs and networks, and reflects the integration degree of enterprises with local production systems and the practical problems of enterprises in industrial clusters taking root locally [18]. After years of development, Chinese businessmen have gradually realized and begun to fulfill their social responsibilities, actively participated in social welfare undertakings, increased assistance to vulnerable groups in Africa, and established a good corporate image. For example, since the outbreak of COVID-19 in Africa in early 2020, Chinese businessmen have not only properly solved the problems of wages, accommodation and insurance for African workers during the production shutdown, but also actively donated various anti-epidemic materials to local governments, police stations and children's shelters. they focus on promoting sustainable development, adopting environmental protection measures to reduce the consumption of natural resources and environmental damage, and are committed to protecting the local ecological environment and promoting the growth of green economy by adopting green technologies and renewable energy. Chinese businessmen are narrowing the

digital divide between Africa and the world by helping Africa develop information technology, mobile payment and e-commerce. In general, Chinese businessmen fulfilling their social responsibilities in Africa not only contribute to local economic development and social progress, but also demonstrate their international vision and ethical responsibility.

4.3.2. Strengthening ethnic economies

Chinese businessmen operating in Africa have significantly contributed to local economic development by employing local staff and creating job opportunities. They have implemented extensive hiring and training programs tailored to the local workforce. According to Li Ming's study, these initiatives not only enhance the professional skills of local workers but also contribute to a more stable and skilled workforce, which improves their overall living standards [19]. The localization of employment practices allows Chinese businessmen to better adapt to and understand the cultural and market needs of their host countries. Zhang Ting emphasizes that by reducing reliance on expatriate staff and promoting local talent, these companies facilitate the transfer of knowledge and skills to the local workforce, which is crucial for both employee development and business success [20]. Some company which invested and managed by Chinese businessmen have created numerous jobs for local workers, with the company investing in their training and professional growth. This approach not only supports the local economy but also enhances Chinese businessmen operational efficiency and community integration [21]. These employment practices contribute significantly to reducing unemployment rates and fostering economic stability in host countries. The commitment of Chinese businesses to hiring locally and providing comprehensive training programs demonstrates a responsible approach to international business that aligns with broader development goals. This not only benefits the local communities but also strengthens the economic and social ties between China and Africa.

5. Conclusion

Africa is a place where Chinese businessmen entered late. Although the business environment is relatively bad, the future prospects are promising. Since the Belt and Road Initiative was put forward, it has received active support and participation from African countries. There have 52 African countries signed cooperation documents with China. Africa needs China, and China also needs Africa. Under the new historical conditions, the two-way engagement between China and Africa has gone beyond the bilateral scope and is of global significance. Africa has a huge consumer market and broad investment space. With the official launch of the African Continental Free Trade Area, Agenda 2063 and other projects, Africa has gradually become the focus of geopolitics and the global economy. People to people contacts are an important part of Sino-Africa cooperation. Chinese businessmen are a group that has emerged after the reform and opening-up, and their business network has spread all over the world. Chinese businessmen in Africa need to strengthen their resilience, take root in Africa, and promote Sino-Africa economic and trade exchanges and capacity building of African countries.

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