An Analysis of Factors Influencing Entrepreneurs' Performance in Business after Returning Home

— Empirical Study Based on a Sichuan Sample

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Abstract: This paper uses survey data regarding native Sichuan entrepreneurs who have developed businesses outside of Sichuan Province and then returned, along with their organizations, to Sichuan. Our goal was to identify and examine the factors influencing their entrepreneurial performance by using SEM-PLS. The results show that policy support, social relations and entrepreneurial self-efficacy have significant roles in entrepreneurial performance. No direct influence from the cultural or market environments was detected. Therefore, this study indicates that for entrepreneurs returning to their hometown the government should provide social and financial support for small and micro sized entrepreneurial ventures while the entrepreneurs should constantly strengthen their entrepreneurial self-efficacy by obtaining information through cultivated social relationships and market opportunities that will allow them to enhance their entrepreneurial performance.

Keywords: entrepreneurial performance, returning home to start their business, SEM-PLS

China's economy has entered a critical stage of restructuring and upgrading, where the economy is enjoying development both in scale and quality, featuring the general growth of multiple sectors, and the on-going industrial transformation. This has created significant energy and enabled positive factors for development under the new normal, and created millions of opportunities for entrepreneurs. In their attempts to build a business, however, entrepreneurs find that it is extremely difficult to survive the incubation period and become profitable in today's highly competitive markets.

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So, to organize entrepreneurial activities in a more rational and scientific way, we should accurately identify the structures and factors influencing entrepreneurial performance in order to improve the effectiveness of entrepreneurial theories and better apply research results to entrepreneurial practice.

1. Presentation of questions

1.1 Entrepreneurial performance

Most entrepreneurial performance theories today are derived from research regarding organizational theory and strategic management. Basically, organizational effectiveness is measured in terms of system resources, organizational goals and stakeholders, which are further integrated in studies of strategic management to form a multilevel organizational performance measurement structure, including financial performance, operational performance, and board evaluation performance. For enterprises, financial indicators are traditionally the standard for measuring their performance, while operation indicators are closely tied to their growth and future. Therefore, these two factors should be considered together when investigating organizational performance (Tang et al., 2007). In addition, the profitability of an enterprise should also be considered in the measurement of entrepreneurial performance. The indicators include return on assets, return on investment, profit margin and return on sales. However, in the actual research, it is not easy for researchers to obtain a company's financial performance, operational performance, and profitability performance. So, how to measure the entrepreneurial performance if a company would or should not disclose financial data to researchers? Some scholars believe that executives' subjective opinions of performance are strongly related to the actual performance of the enterprise (Dess & Robinson, 1984). While subjective indicators are less accurate, they are reliable and valid since they are based on objective indicators (Chandler & Hanks, 1994). So, when objective performance data is not accessible, it is reasonable to use subjective performance evaluation data instead.

1.2 Returning home to start a business

The phenomenon of returning home to start a business is also referred to as the "sweet potato economy," which grows much like a sweet potato – it has its roots in the land where it germinated no matter how far its flourishing branches have reached (Jin, 2006). Tan Jianjun (2016) pointed out that migrant entrepreneurs "all have a strong bond to their hometown, and they tend to establish chambers of commerce in order to better develop their careers by group." He further summarized the functions of these chambers as "attracting investment, encouraging entrepreneurship back home, facilitating government-industry communications and regional cooperation, improving public welfare and social harmony, as well as serving members." He also suggested that the government should promote returned entrepreneurship by leveraging the hometown affection of migrant entrepreneurs, and do a good job in publicity, service and policy support. Taking entrepreneurs from Zhejiang as an example, Ying Huanhong (2012) pointed out that they face challenges of "resource bottlenecks and high costs, less supportive policies and investment environments, limited financing conditions and manpower, as well as problems concerning social capital and family" when trying to return. Jin Tao (2006) also expressed his opinions about Zhejiang entrepreneurs, arguing that returned entrepreneurs should bring information, talents, culture, resources and other meaningful inputs, instead of simply throwing back stacks of cash or financing projects. In their analysis, Sun Liming and Zhang Kai held that mainland migrant entrepreneurs are mainly motivated to return for three reasons: First, along with China's economic development,

the market space in developed regions such as Guangdong is relatively saturated; second, enterprises in coastal areas are increasingly stressed by the rising costs of labor; and third, years of operation in Guangdong has equipped entrepreneurs who want to reward their hometown with quite a lot of advanced ideas (Sun & Zhang, 2014). The above studies suggest that the return of entrepreneurs is actually a willing choice first nourished by their hometown affection, and then enabled by the considerable funds and experience they have gained. It is therefore important for the hometown government to fully engage with the chambers of commerce, implement supporting policies, and improve the investment environments for the returned entrepreneurs.

The above studies share the following three characteristics: First, the literature mainly focuses on the analysis of entrepreneurs' individual behaviors, lacking overall research on returned entrepreneurship based on China's market environments; second, the studies lean towards the willingness and inner motivation of returned entrepreneurs, lacking investigation into the performance of returned enterprises and influencing factors; and third, the literature generally uses typical cases for analysis, and lacks the results of quantitative research. In view of this and to supplement the existing theories, this paper uses data from a survey of returned Sichuan entrepreneurs, focuses on returned entrepreneurship, and uses empirical analysis by looking closely at the entrepreneurial performance structure, influencing factors and their interactions, with the purpose of improving entrepreneurial performance. We defined the influencing factors of returned entrepreneurship through a literature review, proposed corresponding research hypotheses and applied SEM-PLS for empirical analysis to formulate response countermeasures.

2. Research hypotheses

According to previous studies, most domestic and foreign scholars investigated returned entrepreneurship from six dimensions, namely policy support, social relations, entrepreneurial efficacy, cultural environments and market environments, specifically highlighting the mechanisms, the influencing factors and their impacts on different entrepreneurial enterprises. In order to further identify the performance enhancers of these enterprises, and based on the existing literature results, we proposed the following research hypotheses.

2.1 Market environments

Entrepreneurial behaviors are largely influenced by the market environment, and it is important for entrepreneurs to find opportunities and choose appropriate strategies in a changing market environment (Cai, 2013). At present, in a under-developed capital market where the government controls scarce resources such as land and credit, and has the decisive vote on the investment scale (Li et al., 2017), it is impossible for enterprises to tap resources freely from the market and implement their strategies, as the resource supply is not guaranteed. In addition, many enterprises are neither financially strong nor have sufficient knowledge and skills (Zhao, et al., 2011) to put their entrepreneurial strategies into practice and generate profits and value accordingly. These unfavorable factors have forced enterprises to invest their handful of resources into non-market activities (Tang & Hull, 2012). The reality is, in a well-developed financial system, enterprises have easy access to long-term external financing support which can effectively increase their performance (Demirgüc-Kunt & Maksimovic, 1999). A good financing environment is even more crucial for the growth of SMEs, which find financing the most challenging obstacle to their development (Lin & Li, 2001). Wang Hui (2007) pointed out that actively expanding the financing channels for SMEs and speeding the building of a credit guarantee system are

important ways to promote the development of SMEs. Although the socialist market economy has been on its way for more than 30 years, it is still too early to claim the market system is mature as we see state-owned enterprise monopolies, government interventions, and discrimination of enterprises of different ownership even today (Zhu & Xie, 2012). For those reasons, we proposed research hypothesis H1:

The market environment has a positive impact on the performance of returned enterprises.

2.2 Policy support

Government policies and laws have positive impacts on entrepreneurial willingness and behaviors. Preferential tax policies are enablers of entrepreneurial willingness and will encourage more prospective entrepreneurs to make the ultimate decision (Keuschnigg et al., 2004). Studies of Black & Strahan (2002) showed that a sound credit market nourishes entrepreneurship and growth of entrepreneurial enterprises, whereas excessive red tape is an inhibitor to the willingness of enterprises to enter certain industries (Klapper, Laeven & Rajan, 2002). As China's economy slows and replaces growth drivers, the government's attitude and policies have determined access to various resources, which are vital factors to positive entrepreneurial performance. Liu Guangming, Song Hongyuan and Lin Fei studied cases of returned entrepreneurs, arguing that an improvement of entrepreneurial conditions and the government's solicitude are the economic factors that engendered the return-strong support from the government is necessary for these returned enterprises to survive the difficult early days (Liu & Song, 2002; Lin, 2002). Ma Haigang and Geng Yeqiang (2008) believed that government behaviors are an important factor affecting the performance of SMEs in central China. The more supportive policies and resources are, the better the performance of returned enterprises. Among the factors, policy support such as entrepreneurship skills training, tax reductions and favorable credit conditions have a vital impact on behaviors of returned enterprises (Zhu, 2012). Therefore, we put forward hypothesis H2:

Policy support has a positive impact on the performance of returned enterprises.

2.3 Cultural environment

Although "culture" has diversified definitions, almost every individual agrees that culture is something that people learn from each other. As far as the research is concerned, culture is assumed to satisfy two simple preconditions: people are more likely to interact with others who have similar cultural characteristics. Such interactions between them will increase the common features they share. Organizational behaviorists believe that changes in beliefs, attitudes, and behaviors will extend to the dissemination of social customs and knowledge. As a combination of traditional values and beliefs of a society (Tsui, Nifadkar & Ou, 2007), culture therefore reflects people's subjective conceptions to explain the world around them, hence playing an important role in economic activities. China's unique cultural environment is mainly characterized by the dominating social resources, the fixation on power and the tendency of collectivism, and has a profound influence on entrepreneurial activities (Jing & PohKam, 2008). Collectivism and power fixation are the two cultural phenomena that attract the most attention in cross-cultural comparative studies and are fairly obvious in the Chinese culture (Li et al., 2012). For that reason, we proposed research hypothesis H3:

The cultural environment has a positive impact on the performance of returned enterprises.

2.4 Social relations

Most scholars believe that the social relations of entrepreneurs are positively related to their entrepreneurial performance. This is because companies with extensive social relations often have more access to social

resources, thus effectively reducing transaction costs and improving entrepreneurial performance (Boisot & Child, 1996). Empirical research by Aldrich & Martinez (2007) found that social networks are a vital factor of social capital and their size has the most significant impact on entrepreneurial performance. Entrepreneurs enjoying large social networks are able to obtain sufficient funds and can independently decide their own investment behaviors based on market opportunities to increase their odds of success. Moreover, larger social networks also provide entrepreneurs with more access to customer information, management knowledge and relevant technologies, enabling them to make correct, informed decisions (Steier & Greenwood, 2000). Because of the influence of Confucian culture, relationships, or guanxi, have traditionally been an integral part of domestic trade, and are generally deemed necessary for running a business in the Chinese society (Tsui, 1997), especially the utilization of personal relationships (Jing & PohKam, 2008). Bian Yanjie and Qiu Haixiong believed that the ability of corporate legal representatives to obtain scarce resources through personal social networks is a form of social capital, which plays an essential role in strengthening their operational and economic benefits. Since emotional and spiritual support is required to establish and maintain social relations, a functional social network also acts as emotional assurance, which boosts entrepreneurial performance (Bian & Qiu, 2000). Therefore, we proposed research hypothesis H4:

Social relations have a positive impact on the performance of returned enterprises.

Given the fact that economic activities are interwoven with interpersonal relationships, entrepreneurs will certainly build commercial or political connections with other business operators, managers, and government officials (Peng & Luo, 2000). Cai Li and Shan Biao'an (2013) argued that social relations, an intermediary variable, will somehow refine the influence of China's regulatory, market and cultural environments on entrepreneurial performance. We thus proposed research hypothesis H5:

In addition to the influence of policy support, markets, regulatory and cultural environments, entrepreneurial performance is also subject to the intermediary actions of social relationships.

H5a: Social relationships play an intermediary role in the impact of policy support on the entrepreneurial performance of returned enterprises;

H5b: Social relationships play an intermediary role in the impact of market environments on the entrepreneurial performance of returned enterprises;

H5c: Social relationships play an intermediary role in the impact of cultural environments on the entrepreneurial performance of returned enterprises.

2.5 Entrepreneurial efficacy

Efficacy is one's conviction that his or her situation is likely to change under the existing rules and they will be able to cause such change. Entrepreneurs develop entrepreneurial efficacy when they combine self-efficacy with specific entrepreneurial missions and evaluate their entrepreneurial abilities. Entrepreneurial efficacy is a more profound belief lying behind entrepreneurs' cognition and behaviors, and it reflects an individual's confidence to accomplish their entrepreneurial goals and missions (Boyd, 1994). Chen (1998) pointed out that entrepreneurial self-efficacy is developed as a special entrepreneurial task, and it represents the strength of belief that one can successfully play the role of entrepreneur and complete entrepreneurial tasks. Luthans & Ibrayeva (2006) held that entrepreneurial self-efficacy is the belief of entrepreneurs in their ability, the awareness of their potential confidence and effectiveness, and a predictor of entrepreneurial performance. Shane pointed out that entrepreneurs are able to sense new information from changes in

the external environment, which helps them discover entrepreneurial opportunities. This means that an individual's entrepreneurial efficacy is responsive to the impact of market environments, policy supports, and regulations, and in turn affects entrepreneurial performance. Therefore, we proposed research hypotheses H6 and H7:

Entrepreneurs' self-efficacy has a positive impact on their entrepreneurial performance, i.e. entrepreneurs with stronger self-efficacy tend to demonstrate better entrepreneurial performance.

Entrepreneurial efficacy plays an intermediary role in the impact of policy support, markets, and cultural environments on the performance of returned enterprises

H7a: Entrepreneurial efficacy plays an intermediary role in the impact of policy support on the performance of returned enterprises;

H7b: Entrepreneurial efficacy plays an intermediary role in the impact of market environments on the performance of returned enterprises;

H7c: Entrepreneurial efficacy plays an intermediary role in the impact of cultural environments on the performance of returned enterprises.

3. Research method

3.1 Data used

The Research Team for Sichuan Commercial Culture and Returned Sichuan Entrepreneurs from Sichuan Academy of Social Sciences (SASS) conducted a survey from May to November 2016. Returned Sichuan entrepreneurs were invited to complete a questionnaire and the data collected was used for this paper. Due to the varying economic development levels of different parts of Sichuan Province, the number, scale and development of returned enterprises varied from place to place. With the relevant factors fully considered, totally 103 questionnaires were sent to returned enterprises in Chengdu, Guangyuan, Mianyang, Zigong, Luzhou, Ya'an and Ziyang. 93 were completed and returned, an effective rate of 90%.

The research team analyzed the data and operationally defined variables according to the research hypotheses, the research model and literature reviewed. The questionnaire was designed by referring to related research and was revised several times based on suggestions from experts, scholars and entrepreneurs in related fields. The questions were measured using the Likert scale. Depending on their attitude, respondents should choose from: "5 Totally Agree," "4 Agree," "3 It Depends," "2 Disagree," and "1 Totally Disagree." Table 1 shows variables considered in this paper, their operational definitions, measures questioned and literature source.

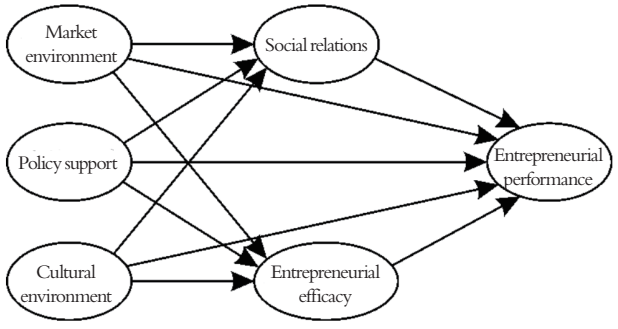
3.2 Research method

In a confirmatory factor analysis, the fit index of structural equation model is susceptible to the sample size and number of variables (Marsh, Hau & Balla, 1998). Generally, the model requires 100 to 200 samples, and each variable should have at least 3 indices (Hou, Wen & Cheng, 2006). Since less than 100 samples were collected we applied SEM-PLS to analyze the research model to achieve an optimal fit between the research hypotheses and the data. Compared with the structural equation model, a traditional analysis method, PLS can process more research variables at the same time, without evaluating the multivariate normal distribution of the original data and obtain robust parameter estimations even when the sample size is small.

Table 1 Operational Definitions of Variables and Reference Sources

Latent variable	Measures questioned	Operational definition	Reference source
Market environment	Low land cost Cheap rent for production building Plenty of financing opportunities Plenty of investment opportunities Low labor cost Low logistics cost	In a well-developed financial system, enterprises have easy access to long-term external financing support, hence can effectively increase their performance.	Demirgüc-Kunt & Maksimovic (1999) ,Lin Yifu, Li Yongjun (2001)]
Policy support	Close attention from local political leaders Favorable land policy Favorable tax policy Favorable administrative approval process	Government policies and regulations have positive impact on entrepreneurial willingness and behaviors	Keuschnigg et al. (2004)
Cultural environment	The traditional thought of "returning to roots" Sense of rewarding the hometown as an affluent individual Inclusive and diverse cultural spirit A long history of commercial civilization Some personality traits such as diligent, intelligent, sophisticated and honest Some personality traits such as firm-minded, aggressive, and innovative. Belief in concerted efforts and mutual benefit Social responsibilities of corporates	China's unique cultural environment is mainly characterized by the dominated social resources, the fixation on power and the tendency of collectivism, and has profound influence on entrepreneurial activities.	Zhang & Wong, (2008)
Social relations	People in the hometown are more trustworthy Hometown has important social resources Company of family and friends	Chinese society regards relations as the roots of enterprise, and a social network of considerable size can improve entrepreneurial performance from many aspects.	Bian Yanjie, Qiu Haixiong (2000)
Entrepreneurial efficacy	Entrepreneurs have zero influence on government behaviors and investment policies Government officials at home will not respond to the suggestions of entrepreneurs The policy is too complicated for entrepreneurs to understand	The strength of belief that one can successfully play the role of entrepreneur and complete entrepreneurial tasks.	Chen et al. (1998)

Fig 1 Structure of the theoretical model



Based on our research hypotheses, we applied SEM-PLS to build the theoretical model and investigated the actual impact of market environment, policy support and cultural environment on the entrepreneurial performance of returned entrepreneurs, while considering the influence of social relations and entrepreneurial efficacy as intermediary variables. Figure 1 shows the structure of the theoretical model.

4. Empirical analysis

4.1 Descriptive statistics of sample characteristics

93 entrepreneurs were surveyed in this research, including 79 males and 14 females; 4 under 30 years old, 24 between 30 and 39, 59 between 40 and 49, 4 between 50 and 59, and 2 over 60. Most (63) have an education level above associate degree; 5 are engaged in the building industry, 33 in manufacturing, 31 in agriculture, 2 in finance or real estate, and 22 in others. Regarding their company's annual revenue, 39 earn less than RMB 5 million, 24 earned between RMB 5 million and 25 million, 13 between RMB 25 million and 50 million, 8 between RMB 50 million and 100 million, and 9 earn RMB 100 million or more. In terms of proportion of investment in Sichuan, 5 invested less than 10% of the total assets, 28 invested 10% to 50%, 20 invested 50% to 90%, and 40 invested 90% to 100% (see Table 2).

Table 2 Descriptive Statistics of Sample

	Category	Number	Proportion (%)
Gender	Male	79	84.9
	Female	14	15.1
Age	< 30	4	4.3
	30 – 39	24	25.8
	40 – 49	59	63.4
	50 – 59	4	4.3
	> 60	2	2.2
Education	Associate degree	30	32.2
	Bachelor	19	20.4
	Master	12	12.9
	PhD	2	2.2
	High school and below	30	32.3
Industry engaged in Sichuan	Building	5	5.4
	Manufacturing	33	35.5
	Agriculture	31	33.3
	Real estate or finance	2	2.2
	Others	22	23.6
Company annual revenue in Sichuan (RMB)	< 5M	39	41.9
	5M – 25M	24	25.8
	25M – 50M	13	14.0
	50M – 100M	8	8.6
	> 100M	9	9.7
Number of employees in Sichuan	1 – 25	16	17.2
	26 – 100	47	50.5
	101 – 500	24	25.8
	> 500	6	6.5
Proportion of investment in Sichuan against the total asset	< 10%	5	5.4
	10% – 50%	28	30.1
	50% – 90%	20	21.5
	90% – 100%	40	43.0

4.2 Data analysis and hypothesis verification

4.2.1 Outer model

In PLS, the outer model refers to the relationship between the index and latent variables. Table 3 shows the factor loadings and reliability check results of measures, of which Cronbach's α and composite reliability are greater than 0.7, meeting the reliability requirement for the research (Nunnally & Bernstein, 1994).

To verify construct validity, we checked convergent and discriminant validity. According to Fornell & Larker, convergent validity is reached when the factor loading of the index variable is above 0.5, the average variance extracted (AVE) is greater than 0.5 and reliability is higher than 0.7 (Fornell & Larcker, 1981), which were satisfied for all variables as suggested by Fornell & Larker, see Table 3, demonstrating convergent validity of the research. In this paper, we also checked whether the square root of AVE for each variable is greater than the correlation coefficient between any two variables to verify the discriminant validity. As shown in Table 4, the research has discriminant validity.

Table 3 Reliability Check and Factor Loading Results

Variable	Measure	Factor loading	Cronbach's Alpha	Composite reliability	Average variance extracted (AVE)
Business performance	Entrepreneurial performance a	0. 918	0. 951	0. 962	0. 837
	Entrepreneurial performance b	0. 942			
	Entrepreneurial performance c	0. 915			
	Entrepreneurial performance d	0. 895			
	Entrepreneurial performance e	0. 903			
Entrepreneurial efficacy	Entrepreneurial efficacy a	0. 837	0. 826	0. 896	0. 742
	Entrepreneurial efficacy b	0. 898			
	Entrepreneurial efficacy c	0. 847			
Market environment	Market environment a	0. 826	0. 915	0. 930	0. 598
	Market environment b	0. 800			
	Market environment c	0. 730			
	Market environment d	0. 719			
	Market environment e	0. 831			
	Market environment f	0. 844			
	Market environment g	0. 743			
	Market environment h	0. 746			
	Market environment i	0. 704			
Policy support	Policy support a	0. 845	0. 899	0. 930	0. 768
	Policy support b	0. 870			
	Policy support c	0. 877			
	Policy support d	0. 912			
Cultural environment	Cultural environment a	0. 722	0. 943	0. 953	0. 716
	Cultural environment b	0. 870			
	Cultural environment c	0. 908			
	Cultural environment d	0. 817			
	Cultural environment e	0. 869			
	Cultural environment f	0. 847			
	Cultural environment g	0. 869			
	Cultural environment h	0. 852			

Variable	Measure	Factor loading	Cronbach's Alpha	Composite reliability	Average variance extracted (AVE)
Social relations	Social relation a	0. 902	0. 854	0. 911	0. 774
	Social relation b	0. 891			
	Social relation c	0. 845			

Table 4 Differential Validity

	Entrepreneurial efficacy	Entrepreneurial performance	Market environment	Policy support	Cultural environment	Social relations
Entrepreneurial efficacy	0.861					
Entrepreneurial performance	0.777	0.915				
Market environment	0.602	0.698	0.773			
Policy support	0.629	0.778	0.767	0.876		
Cultural environment	0.650	0.756	0.726	0.679	0.846	
Social relations	0.660	0.780	0.678	0.680	0.767	0.880

Note: Diagonal values are the square roots of AVE for each latent variable. The rest are the correlation coefficients between variables.

The model GoF = $\sqrt{\overline{AVE} \times \overline{R^2}}$ =0.51, which is greater than 0.36, (Wetzels et al.,) indicating the fair goodness-of-fit of the model.

4.3 Inner model

In PLS, the path structure among variables is referred to as the inner model. Table 5 shows results of hypothesis verification and path analysis for the internal model.

Table 5 Results of Hypothesis Verification and Path Analysis

Path relations	Path coefficient	T value
Entrepreneurial efficacy → entrepreneurial performance	0. 329	3. 409 ***
Market environment →entrepreneurial Performance	− 0. 018	0. 175
Policy support → entrepreneurial Performance	0. 315	2. 790 **
Cultural environment → entrepreneurial performance	0. 156	1. 660
Social relations → entrepreneurial Performance	0. 241	2. 098 *

Note: Significance level *: p<0.05; **: p<0.01; ***: p<0.001.

According to Table 5, the test results are as follows:

H1 is incorrect, i.e. the market environment has no positive impact on the performance of returned entrepreneurs.

H2 is correct, i.e. policy support has a positive impact on the performance of returned enterprises.

H3 is incorrect, i.e. the cultural environment has no positive impact on the performance of returned enterprises.

H4 is correct, i.e. social relations have a positive impact on the performance of returned enterprises.

H6 is correct, i.e. entrepreneurial efficacy has a positive impact on the performance of returned enterprises.

4.4 Effect of intermediary variables

The influence of intermediary variables was analyzed with the Sobel Test, Aroian Test and Goodman Test. The influence is significant if the Z value is greater than the absolute value 1.96, which means that intermediary variables do have an effect. (Sobel, 1982; Aroian, 1947) By using social relations and entrepreneurial efficacy as intermediary variables, we investigated their effect in the impact of market environments, policy support, and cultural environments on the entrepreneurial performance of returned entrepreneurs. The results are shown in Table 6.

Table 6 Investigation of Intermediary Effect

Inter-variable correlation	Variable measured	T-value for standardized path coefficient	Sobel Test's Z-value	Aroian Test's Z-value	Goodman Test's Z-value
Market environment → social relations → entrepreneurial performance	Market environment →	−0.027	0. 884	0. 811	0. 980
	social relations	0.975			
	Social relations →	0.236			
	Business performance	2.089			
Market environment → entrepreneurial efficacy → entrepreneurial performance	Market environment →	0.110	0. 797	0. 767	0. 832
	Entrepreneurial efficacy	0.820			
	Entrepreneurial efficacy →	0.343			
	Business performance	3.409			
Policy support → social relations → entrepreneurial performance	Policy support →	0.291	1. 323	1. 240	1. 424
	social relations	1.709			
	Social relations →	0.236			
	Business performance	2.089			
Policy support → entrepreneurial efficacy → entrepreneurial performance	Policy support →	0.291	1. 793	1. 740	1. 851
	Entrepreneurial efficacy	2.108			
	Entrepreneurial efficacy →	0.343			
	Business performance	3.409			
Cultural environment → social relations → entrepreneurial performance	Cultural environment →	0.527	1. 963	1. 955	1. 960
	social relations	4.803			
	Social relations →	0.236			
	Business performance	2.089			
Cultural environment → entrepreneurial efficacy → entrepreneurial performance	Cultural environment →	0.374	2. 191	2. 138	2. 250
	Entrepreneurial efficacy	2.861			
	Entrepreneurial efficacy →	0.343			
	Business performance	3.409			

According to Table 6, the results of the intermediary effect investigation are as follows:

H5a is incorrect, i.e. social relations do not play an intermediary role in the impact of policy support on the performance of returned entrepreneurs.

H5b is incorrect, i.e. social relations do not play an intermediary role in the impact of market environments on the performance of returned entrepreneurs.

H5c is correct, i.e. social relations do play an intermediary role in the impact of cultural environments on the performance of returned entrepreneurs.

H7a is incorrect, i.e. entrepreneurial efficacy does not play an intermediary role in the impact of policy support on the performance of returned entrepreneurs.

H7b is incorrect, i.e. entrepreneurial efficacy does not play an intermediary role in the impact of market environments on the performance of returned entrepreneurs.

H7c is correct, i.e. entrepreneurial efficacy does play an intermediary role in the impact of cultural environments on the performance of returned entrepreneurs.

5. Research conclusions and solutions

The survey data of entrepreneurs returned to Sichuan was used to study the influencing factors of entrepreneurial performance by applying SEM-PLS. The results show that policy support and social relations are obviously promotors for better performance of returned entrepreneurs; the cultural environment does not have a direct impact on the performance, but it acts on entrepreneurs' social relations and indirectly improves their entrepreneurial performance; entrepreneurial efficacy directly impacts on the performance of returned entrepreneurs, and plays an intermediary role in the impact of the cultural environment on entrepreneurial performance; and market environments have an insignificant impact on the performance of returned entrepreneurs. Based on these results, we drew the conclusions and proposed solutions as follows.

First, policy support has a major impact on the performance of returned entrepreneurs. Our research studied supporting policies on land, tax and administrative approval processes. The greater the policy support, the better the performance will be. Favorable policies enable companies to keep abreast of market information, laws and regulations, which is helpful for companies to define their development direction. By cutting red tape and implementing preferential land and tax policies, enterprises are able to reduce cost, develop new marketing channels and boost product sales, thereby enjoying rapid growth.

Second, social relations are a key factor affecting entrepreneurs' performance, and can improve it significantly. Compared with running a business in other places, entrepreneurs can benefit from more abundant social relations at home, which allow them to grasp more social capital and, by leveraging their well-functioned social network, learn about market changes and acquire complementary resources. Also, as returned entrepreneurs generally possess more social capital and are quite well-known, local governments are happy to provide supportive policies for loans, taxation, land use and project approvals. Therefore, for entrepreneurial SMEs, the government should also give targeted support through financial and tax policies, strengthen their publicity, and work actively as a reliable link between SMEs and research and financial institutions.

Third, the cultural environment does not have a direct impact on the performance of returned entrepreneurs. The direct path coefficient of the impact of the cultural environment on entrepreneurial performance did not pass the significance verification, but the path coefficient of social relationships and entrepreneurial efficacy did, indicating that the cultural environment influences entrepreneurial performance mainly through social relationships and entrepreneurial efficacy. The influence of the commercial culture on entrepreneurial performance mainly depends on the entrepreneur's social relationships and self-efficacy. A

sound social network and strong entrepreneurial efficacy enhance the effects of the commercial culture. This result backs the relationship theory advocated by the Confucian culture, meaning that the commercial culture could play a significant role in the development of enterprises if it took root in China's inherent social network. Only in this way can it positively affect entrepreneurial performance.

Fourth, entrepreneurial efficacy can significantly increase the performance of returned entrepreneurs, i.e. stronger entrepreneurial efficacy will result in better entrepreneurial performance. Entrepreneurs with stronger entrepreneurial efficacy understand policies better, hence they can leverage policies more effectively to achieve the rational allocation of material and human resources and improve company management efficiency accordingly. These entrepreneurs have more accurate senses of market information and are able to seize opportunities in a timely manner. Therefore, entrepreneurs should unceasingly broaden their horizons, hone their information acquisition capabilities, contemplate and plan for their entrepreneurial behaviors with a highly responsible attitude, and pay close attention to and proactively avoid market risks, which will benefit their performance.

Fifth, the path coefficient of the influence of market environments on performance of returned entrepreneurs was negative, and it failed to pass the significance test. This means that returned entrepreneurs did not improve entrepreneurial performance by optimizing resource allocations through market activities. This is because all returned enterprises are private SMEs vulnerable to market risks. In addition, although China has developed financial systems to support SMEs, they are still not sound enough, resulting in limited financing channels for returned entrepreneurs who, at the early stage, generally rely on capital accumulated elsewhere or even turn to private lenders. This capital can barely cover the fixed investment in infrastructure construction, equipment purchases and site rental which is why most entrepreneurial companies quickly exhaust their working capital. The lack of working capital will seriously restrict a company’s operation, production efficiency and brand influence, and even confront the company with the fatal risk of capital chain rupture. Although returned entrepreneurs would like to borrow their working capital from the bank, this is usually difficult for them because they are generally owner of SMEs and have neither mortgageable properties, such as real estate, nor credible third-party guarantors, i.e. financially qualified individuals or organizations. Limited financing channels, bothersome procedures and high transaction costs further worsen the situation. Even if some get lucky, the amount is usually far less than sufficient to meet their needs. This has somehow cast a shadow over healthy and sustainable development of the returned enterprises. Therefore, it is imperative to set up a guidance fund for returned entrepreneurs, find a way to dilute their entrepreneurial risks, and actively guide various types of financial institutions at all levels to increase lending to returned entrepreneurs.

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