Peter J. Peverelli • Jiwen Song

Chinese Entrepreneurship

A Social Capital Approach

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Foreword

I am pleased to write a recommendation for the book Chinese Entrepreneurship – A Social Capital Approach by Dr. Peter J. Peverelli and Lynda Jiwen Song. I believe that their persistent use of case studies to analyze management issues has its advantages. Case study allows you to analyze phenomena from their practical appearance, which facilitates the discovery of valuable research issues. The relationships between the many variables of business management are highly complex. Applying quantitative analysis using a singular model may be simple and precise, but often reduces the richness of the content. Business research at Renmin University Business School (RBS) has always based itself on practice. The research of these authors therefore supports and develops the research tradition of RBS of linking theory and practice.

After reading this book, I realize that conducting research inside enterprises, leading students in interviewing entrepreneurs and following the development of enterprises was not an easy thing. For example, they conducted a series of interviews at Yihai Garden Real Estate Co. 4 years ago and made an in-depth analysis of responsible leadership and the enterprise – Education Bureau – schools – residents network. Enterprises develop and organizations change. Case studies can be conducted at length, in constant dialogue with the entrepreneurs, analyzing the changes in the network. These are all very important steps in our understanding and studying of enterprises.

Currently, entrepreneurship research is expanding. The spirit and management style of entrepreneurs is worth studying. The MBA, EMBA, EDP and MPAcc programs of RBS have made considerable progress and have high hopes for both indigenous and international perspectives. Studying entrepreneurship from the angle of social networks is an innovative approach to leadership. I am pleased to see the appearance of this book. It actively promotes research methodology, but is also very useful for practitioners who seek to improve their leadership. It offers a new angle to approach the study, development and planning of networked resources of organizations and individuals. Moreover, it is grounded in indigenous Chinese practice and has ample space and soil for growing. At RBS, I am pleased to see the

theory and thoughts of Karl Weick finding its roots in China's management practices and offering itself to be learned by entrepreneurs.

The study, teaching and use of cases form a cyclical process in which they rely on and strengthen one another. RBS makes an effort to build a high quality platform for case study and aspires to become a leader in case study and management research in China.

Dean and Professor, Business School Zhihong YI
Renmin University of China

Preface

Entrepreneurship is fancy, in academia as well as in society in general. People of all walks of life can be heard referring to themselves as entrepreneurs, or entrepreneurial. This seems to be triggered by the fact that entrepreneur is derived from the same root as enterprise. The enterprise, the firm, is the pillar of economy, the vehicle par excellence for wealth creating activities. Seen from that angle, entrepreneurs are people who create wealth; for themselves, for the people they may employ, and for a number of other types of people, stakeholders.

This line of thinking is not without flaws. While 'enterprise' is most frequently used in its sense of 'firm', its original meaning, 'undertaking', is still used as well. One can undertake much more than a for-profit company. In its broadest sense, most of our daily activities are undertakings, activities that we undertake to reach a certain goal.

These enterprises in the broader sense often also involve a range of stakeholders. Suppose that you wish to completely redesign your backyard. You hate that old wooden shed that constantly leaks making your bikes rust and want to replace it with a brand new brick building. While you are at it, you might as well take down that ugly tree that makes the yard look dark even during a sunny day. Some of these activities may require the consent of your neighbor (who has been so happy with the shade of your tree during the hottest time of the year), or involve applying for a permit from the municipal government (this is necessary for felling trees in many countries), securing a loan from your bank (a brick bike shed is expensive), etc.

You need to craft strategies to make each of these stakeholders cooperate in the preferred way. Persuading your neighbor is quite different from getting a loan from the bank. This is related to the different social relationship you have with each stakeholder, which in turn is embedded in social practice that has been constructed in ongoing social interaction. As your relationship with your neighbor is a symmetrical one, the interaction between neighbors tends to be very informal. You would typically invite your neighbor for a drink and then introduce your plan quasi haphazardly. This would not work for the bank. Even if you have a regular account manager in your bank that always takes care of your financial matters, it is not likely that you would invite that person to your home. You would go to the bank, where

you would be requested to fill in a form. That would not surprise you, as that is regular practice in banking business.

To summarize: entrepreneurship is not a static trait of a certain person, or certain type of people. Entrepreneurship is dynamic; it is a process that takes place at the intersection of a number of social identities of the entrepreneur. As such, entrepreneurship is itself a social identity. As social identity is constructed in ongoing interaction about specific topics with other people, entrepreneurial identity needs to be studied from the relevant set of social identities of the entrepreneur.

This study intends to contribute to the general study of entrepreneurship by focusing on how entrepreneurial identity is produced in the intersection of a number of social identities of entrepreneurs. Moreover, it will place the construction of entrepreneurial identity in a historic perspective. This is achieved by combining McAdams' life story analysis with the concept of (multiple) inclusion in Social Integration Theory. To develop this model, we have opted for a case study approach. A number of Chinese private entrepreneurs with various backgrounds have been observed and interviewed. The data thus obtained have been used to reconstruct the development of the dominant social identities of each entrepreneur and pinpoint at what stage of their lives they constructed their entrepreneurial identity. While each case is an individual story, the life stories analyzed so far already reveal a number of recurrent identities that seem to play an essential role in the entrepreneurship of present day Chinese entrepreneurs.

Amsterdam — Peter J. Peverelli
Beijing — Lynda Jiwen Song

Acknowledgements

We would lose our credibility as researchers contending that entrepreneurship does not solely pertain to the entrepreneurs, but equally to many other people with whom they frequently interact in relation to their business, if we would contend that the research results presented in this book can be attributed mainly to the authors.

In fact, however limited the scope of our research so far, we have relied on such a large number of people that we want to thank them in a special chapter.

First of all, we need to thank the entrepreneurs. All of them have generously given us all the time we wanted, and often even more. Interviewing them has really made us forget the distinction between work and pleasure.

The second group of people should be the students that have assisted us with a major part of the less attractive aspects of a major qualitative research project like this. The students do not constitute one single group. The first group comprises the students who assisted us with various aspects of the interviews (making appointments, transcribing recordings, studying published materials, etc.). On the Chinese sides they are (in random order): Xi CHEN, Shanshan WEN, Aini DING, Jianfeng YU, Zhiqiang SUN, Yiwei HUANG, Hui LI, Yuanyuan WANG, Xiaoli LI, Wei WANG, Wei SI, Junfeng WU, Qing LU, Kaifeng GU, Xin SUN, Zhengyan HUANG, Tingfan GAO. On the Dutch side: Michiel Ypenburg.

Another group of students are participants of Dr. Peverelli's Social Dynamics in Entrepreneurship course that is given as part of the Summer School program of Renmin University. As part of that course, teams of three or four students find an entrepreneur and analyze that entrepreneur's life story using the model employed in this book. The best case studies have been included in this book. They students involved are (again in no particular order): Sharon Archetti, Jingfang LIU, Ran WANG, Mengcong YAN, Pian ZHANG, Tong LI, Xiaonan GUO, Qingzhi LI, Jiazhen SUN, Jie HOU, Yunqi ZHU, Jianxu ZHANG, Xiaobin XING.

We have been aided and inspired by so many colleagues, that it is almost impossible to list them all. We would like to be begin with our direct colleagues. On the Chinese side, Renmin University Business School, there are: Zhihong YI (Dean), Jiye MAO (vice Dean), Zheng BAO, Mingshen ZHENG, Peiliang WU, Du YANG, Zhihua QIN, Kai ZHANG (Department Head), Fengbin WANG, Liping

WANG, Yunxia FENG, Yuyu LIU, Jun LIU, Yu ZHOU, Lifeng ZHONG, Jianmin SUN, Tao LIANG. On the Dutch side (VU University, Faculty of Economics & Business Administration) there is: Karen Verduyn. Karen not only has given valuable comments on this text, but is also a major contributor to the SI model as applied in this study. In this respect we would like to give a special place to the late Prof. Henk van Dongen, who launched the notion of the SI model in the early 1980s.

Within a broader academic circle, we would like to mention: Jian LIANG (Shanghai Jiaotong University), Lin LU (Shanghai Jiaotong University), Ying LIN (China Pudong Cadre College), Amy OU (National Singapore University), Yangfeng CAO (Copenhagen Business School), Peter LI (Copenhagen Business School), Verner Worm (Copenhagen Business School), Anne S. TSUI (Arizona State University), Jing ZHOU (Rice University), George CHEN (Australian National University), Dahai DONG (Dalian University of Technology), Hui WANG (Peking University), Chi-Sum WONG (Chinese University of Hong Kong), Weiku WU (Tsinghua University), Jiing-Lih Farh (Hong Kong University of Science and Technology), Borshiuan Cheng (National Taiwan University), Joseph Galaskiewicz (University of Arizona), Chan Kwok Bun (Hong Kong Baptist University).

Last but not least there are the people in the direct vicinity of the authors, who have contributed with their patience and moral support: Lynda Song thanks her parents, husband, son, and friends. Peter Peverelli thanks his wife for her extreme patience.

Contents

Part I
Defining the Problem

This is a report of ongoing research into entrepreneurship in present day China. However, we believe that our findings will be found useful for a broad range of readers, academic and non-academic. Therefore, not all readers will regard all sections of Part II as new, but all readers will find something that will arouse their interest.

Part I consists of three introductory chapters that will enable the reader fully understand the analysis of our cases as presented in Part II (the cases) and Part III (the findings). The Introduction is worded around a recent incident caused by a failed attempt by a Chinese company to acquire a European competitor. This incident has drawn considerable attention in the media. A fascinating aspect of that media coverage was that it heavily focused on the founder and CEO of the Chinese company. We have adopted this incident as an indication for the need to bring more insight in Chinese entrepreneurs among a broad European audience.

The second chapter starts with a short introduction of the study of entrepreneurship and then moves to the model that is used in our own research.

Finally, in the third chapter, we are presenting various aspects of the political, cultural and economic environment in which our entrepreneurs that feature in this research are operation.

Chapter 1
Introduction: From Enterprise to Entrepreneur

Who on Earth is Xinmao?

The Dutch, and European, business world was cruelly awoken from a dormant state of complacency in November 2010, when a completely unknown, in Europe, that is, Chinese company made a takeover offer for the Dutch cable maker Draka, that exceeded an offer made earlier by an Italian competitor Prysmian (Bloomberg 2010a).

Draka Holding N.V. is a manufacturer of electrical cables for the telecommunications, energy, infrastructure and automotive industries, founded in 1910 by Jan Teewis Duyvis. It used to have a joint venture with Alcatel-Lucent for manufacturing optical fiber, but bought out its partner's 49.9% stake for €209 million in December 2007. In April 2008, Draka announced that it would close a factory in Spain, as its customers planned to relocate to North Africa and Eastern Europe in search of lower wages. In 2009, Italian cable manufacturer Prysmian made a takeover offer for Draka, but called off the takeover talks in early September.

In October 2010, French cable maker Nexans made a €15/share offer to buy the 43.9% of the company held by Flint Beheer, an investment fund owned by the famous entrepreneurial Fentener van Vlissingen family. Nexans indicated that it would sell off Draka's telecommunications activities. However, Draka rejected Nexans' offer, and on 22 November 2010 instead accepted Prysmian's new offer of €17.20/share, which would create the world's largest cable maker by revenue. Prysmian intended to integrate Draka's operations into their own, rather than breaking it up.

China's Tianjin Xinmao S&T Investment Corp. (Xinmao) announced its offer of €1 billion hours after Draka had agreed to Prysmian's offer. Xinmao stated that it was offering €20.50 per ordinary share of Amsterdam-based Draka, 19% more than Prysmian's bid. From a strategic point of view, Xinmao argued that its takeover would provide access to the Chinese low and medium- voltage cable market, would

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allow Draka to become the global leader in optical fiber and cable within 3–5 years, and would also make Draka a top three maker of "specialty wire" and cables used in the car, aerospace and equipment-making industries.

On the social side, Xinmao added that it would maintain Draka's "solid base in the Netherlands for the foreseeable future," and doesn't foresee "any material social consequences" as a result of its offer.

The investors' reaction was clearly reflected in the way this offer affected the value of the respective shares. Draka rose 26% to €19.39 in Amsterdam. Prysmian fell 5.3% to €12.35 in Milan, while Paris-based Nexans gained 4% to €54.23.

The Western press adopted this news eagerly. Apart from the factual reporting of the events, journalists, like the politicians, European business leaders, etc., were fascinated by the sudden appearance of this new player in the European playing field. The following news item providing background of Mr. Du was released by Reuters on November 30, 2010 (Reuters 2010).

> BEIJING, Nov 30 – Du Kerong, the man behind China's surprise billion-euro bid for Dutch cable maker Draka, has led a turbocharged life that has seen him rise from humble roots to senior air force officer and entrepreneur, getting by on as little as four hours of sleep a night.
>
> The 55-year old Du is also renowned for stamina when entertaining business associates, able to down glasses of rice wine in single gulps, a former colleague recalled. "Even if we had the courage for that, we wouldn't have the stomach," he said.
>
> Du's gutsy manner was on display in a surprise announcement last week when his flagship Xinmao Group offered to buy Draka, the world's No.5 maker of steel cables, which had already agreed to be acquired by Italy's Prysmian for 840 million euros.
>
> Some said the fast-talking Du, who was in Amsterdam last week promoting the deal, may be relying on his deep pool of energy and charisma to elbow aside Prysmian and earlier suitor Nexans of France, the world's No. 2 and 1 cable makers by revenue, to pull off the deal.
>
> "He's a good talker and a clear thinker," said the former Xinmao employee who worked closely with Du, speaking on condition his name not be used. "Sometimes his thoughts move so fast that subordinates can't keep up with him."
>
> FROM AIRFORCE TO REAL ESTATE
>
> Born in eastern China's Jiangsu Province, Du joined the army at 17, and the Chinese Communist Party a year later, according to a biography published by government of Tianjin's Nankai District, where Xinmao is based. He rose through the ranks to become a senior air force officer before leaving the military in 1992 to try his hand in the private sector. Du set up a construction materials company called Xinmao that year, which evolved into Xinmao Real Estate and later the Xinmao Group. Today Xinmao employs more than 30,000 and has more than 100 subsidiaries in construction, real estate, hotels, fiber optics, software and other high-tech fields.
>
> "His family was destitute and had nothing," says a senior executive currently at Xinmao, also speaking on condition of anonymity as he was not authorized to talk about his boss. "Now, employees see him as farsighted and wise, and very persistent in his projects."
>
> The executive also characterized Du as a hustling entrepreneur who poured his heart and soul into his company.
>
> "When business was the toughest, around 1998–2000, he'd sell his car in order to buy materials for projects, which he would finish on time," he said.
>
> For the few hours of sleep he manages after workdays of up to 20 hours, Du has attached a bedroom to his office in the industrial port city of Tianjin, about 120 km from Beijing, said the former employee.

> Du prefers his office in the upscale Xinmao Tiancai Hotel down the street, where he goes for foot massages, to his desk at headquarters, a long-serving employee at the Xinmao compound said.
>
> He is also realistic enough to recognize that he overcentralizes authority in himself and micromanages too much, according to the former colleague.
>
> "He'd pull me aside and talk about how he neglected areas of management," he said.

We are quoting this text entirely as an example of how the media took part in the myth construction around Mr. Du and his enterprise. The analysis of stories is a core methodology employed in the research leading to this study. We will only point out a few aspects of this text here and refer to the Chap. 2, in which various techniques to analyze stories like these will be introduced.

The second paragraph states that Mr. Du is 'renowned for stamina'. This is interesting as it seems to contrast the parlance that he was an unknown leader of an unknown company suddenly interfering in a business deal between Europeans companies that were very well acquainted. The journalist had only very recently dug up this information, but is presenting it in this article as if it is common knowledge. We can also discern numerous words emphasizing Mr. Du's character and modus operandi, like: 'gutsy manner', 'deep pool of energy and charisma', 'hustling entrepreneur', etc.

A number of words and phrases in this article even show beginnings of hero creation, an aspect that we, again in Chap. 2, will introduce as another important aspect of the main stream parlance about entrepreneurship. Examples are the reporting that Mr. Du only needs 'a few hours of sleep . . . after workdays of up to 20 h', his hotel office that includes foot massage service, etc.

So far, this story does not seem 'irregular' enough to justify the initial sentence of this introduction. However, Xinmao's offer triggered unprecedented public discussions in The Netherlands. The event was even debated in Dutch Parliament, and further up to EU organizations. The participants in those debates were quite diverse, ranging from people who welcomed the advent of investors from emerging markets to those who were dead against the growing influence of the Communist government of China in Dutch and EU economy. However, the debate was by no means equal. The opponents greatly outnumbered the supporters. In the end Xinmao withdrew its offer. The official reason for the withdrawal was that Xinmao was unable to raise sufficient funds to finance the deal.

However, based on our knowledge of Chinese entrepreneurial behavior, we question that explanation. It is unlikely that Xinmao would have made such an offer, if the management would not have been sure it would be able to pay up. We therefore contend that Xinmao withdrew from the battle for Draka, because the management was no longer willing to expose itself to the often emotional and usually prejudiced criticism. Here we use the word 'prejudiced' in its most literal meaning, i.e., judging before one has taken the time to collect sufficient information. To discuss the criticism properly, we first need to take a closer look at the most frequently heard arguments brought up against Xinmao in the course of the public debate (Bloomberg 2010b).

Xinmao Supported the Chinese Government?

Although China's economic reforms are well known by now, after almost four decades, the idea that Chinese economy operates on the basis of a plan laid down by the central government in Beijing is still very strong. As we will explain in detail in the theoretical chapter of this study, narrative analysis, the analysis of stories, is an important research method used in this project. Premeditated speech and writings often reveal more about the speaker's or author's beliefs than carefully thought out replies to specific questions. One of Bloomberg's reporters writes that 'A successful takeover by Xinmao would aid China's plans to roll out broadband networks' (Bloomberg 2010b). This, and many other, statements, reveal a perception that there is an overall economic plan for China and that individual firms like Xinmao have a designated role in that plan.

Xinmao sought financial support for the deal from Minsheng Banking Corp. According to the same Bloomberg article (Bloomberg 2010b), Minsheng was founded by 59 private enterprises in 1996, including New Hope Group founder and billionaire Liu Yonghao, and has attracted well known investors including George Soros and Singapore state fund Temasek to its $3.9 billion IPO in 2009. Minsheng is also China's first non-state backed lender. While this all seems quite standard for the description of a bank's position, the journalist continues to cite 'Insiders' who know that "A lot of these firms have done well on their own but have benefited greatly from government support" and that "they get direct introductions to high ranking politicians, state-owned operators, potential customers and a lot of support in terms of very generous lines of credit for vendor financing."

Surprisingly, the Dutch Minister of Foreign Affairs stated in parliament that he had contacted the Chinese government about this matter, which had denied any support for Xinmao. The surprise in this act by the Foreign Minister lies in the fact it seems to indicate that Draka was 'supported by the government' as well.

Nexans, the French competitor whose takeover offer failed against that by Prysmian, filed a complaint at the EU, pointing out that Xinmao's takeover of Draka would mean that valuable European technology would leak to China (Volkskrant 2010a, 2010b). This action has ended in new EU legislation to protect unique industrial know how to disappear to non-EU nations.

Like the interference by the Dutch Minister of Foreign Affairs, this shows once more that European companies also receive support from various levels of government. The question then is in what way the government support in China differs from that in EU countries, that Europeans reserve the right to criticize Chinese government support for its industries.

We are not sharing this case and our preliminary thoughts on it to try to prove that the journalists, politicians, industrialists and other people who talked critically about Xinmao's offer to Draka, are wrong. As academics, and certainly as social constructionists (see the following chapter), we are not interested in right and wrong, correct and incorrect, etc., but are intrigued about the processes in which these perceptions are constructed.

An important aspect that we believe has received too little attention in the public discussions about Xinmao and Draka is that of the individual people involved in the case, and the ongoing processes in which they are participating. The only Chinese individual mentioned who is was directly involved is Mr. Du Kerong. As a Chinese entrepreneur he has regular contacts with various government officials. Similarly, being an ex-army officer, he is believed to maintain close relationships with his former colleagues. These relationships are used by European politicians and journalist as cues to conclude that Mr. Du's offer to Draka has been incite by government those government officials and/or old army buddies.

Our interest in this aspect is based on our long-term research project of studying Chinese entrepreneurship from the point of view of social capital. In previous publications we have shown that entrepreneurs on one hand use their relationships with other people (their social capital) in the development of their entrepreneurship, but that on the other hand many actions they undertake (or fail to undertake) are a result of those relationships. In other words, entrepreneurs actively use relationships and simultaneous many of their actions are passively dictated by those relationships. In fact, we contend that entrepreneurship is constructed in those recurrent interaction patterns (Peverelli et al. 2011, Peverelli and Song 2011).

Taking this little theoretical side step back to the Xinmao-Draka case, we can rephrase our criticism of the public debate more specifically. We will do in the form of questions:

1. Which of Mr. Du's actions in this matter were based on calculated decisions?
2. With which other people in what types of relationship did that deliberation take place?
3. Which other individuals, apart from Mr. Du, were involved in the decision to try to take over Draka, and how were they related to Mr. Du?

The answers to these questions should shed more light on generic statements like 'Xinmao is supported by the government'. To answer the third question above, e.g., we would need to be much more specific about what government organization was involved and which person of that organization had a relationship with Mr. Du, and what was the nature of their relationship. A typical answer could be of the following format:

> Director Wang of the Tianjin (the home city of Xinmao) Department of Commerce has regular contacts with Mr. Du of Xinmao regarding the wish of Tianjin Municipality to enhance the high tech industry in the region.

This (fictitious) statement itself would point at a relationship between Director Wang and another individual of the Tianjin Municipality, etc. We could investigate that and find something like:

> Director Wang of the Tianjin Department of Commerce regularly participates in the Tianjin Municipal Government policy meetings, in which the industrial development of the region is discussed.

By following this line of research, one can gradually reconstruct the network of relationships, consisting of groups of people (more formal groups like

organizations, or more informal ones like groups of graduates from the same university), and the recurrent social interaction between the members of the same group and the members of different groups.

The 'government support' for Xinmao would then appear as one of the many processes in that ongoing social interaction in the network. It would be a result of the relationships rather than something completely deliberate. Phrased differently, it would have simultaneously a deliberate (conscious) and a non-deliberate (unconscious) aspect. The decision by the leaders of Tianjin Municipality to develop certain types of industry is not a plot, but a regular aspect of top city officials. It is also quite normal for a Director of the city's Department of Commerce to maintain regular contacts with local business leaders. When Draka put itself up for sale, this caught the attention of several cable makers worldwide, including Xinmao; once more extremely regular. When Mr. Du mentioned the opportunity to Director Wang, Wang could connect this with his knowledge about the policies of Tianjin Municipality. This could have constructed the idea that Xinmao's acquisition of Draka would have fitted into Tianjin's plans for developing the local industry. The main 'function' of Mr. Du in all these concurrent processes is that he participates in all of them. He is the point at which these processes converge.

This (partly hypothetic) analysis of the course of events that could have led to Xinmao's offer to take over Draka does not mean that we deny government support for that move. Our point is that it is not unlikely that the local or national government deliberately made Xinmao make the offer, but that it is the result of a concatenation of regular interaction between the entrepreneur and a number of other people. If Xinmao would have succeeded in acquiring a majority stake in Draka, this may have benefited the government. This outlook on benefits may trigger government organizations to see how they could facilitate Xinmao's success. However, that government support would have been an outcome of the course of events, not the motivation for it.

More generally, this same principle also applies to the entrepreneurship of Mr. Du. He is not participating in all these interactions, because he is an entrepreneur. His entrepreneurship seems to be a result of his participation in a number of regular interaction processes in different social contexts.

With this statement we have reached the core theme of this study: the social construction of (Chinese) entrepreneurship in the ongoing social interaction of the individual entrepreneurs with various other individuals. We hope that, once we have succeeded in uncovering the social mechanisms that make Chinese become entrepreneurs, drive their strategic choices, etc., these findings will contribute to a better understanding of a number of other issues related to Chinese entrepreneurship and enterprises. While the case of Xinmao's European adventure has only been used here as an example, to lead the reader to our core theme, we are confident that a deeper insight in Chinese entrepreneurship will also contribute to public discussions like that about Xinmao in the EU countries involved.

This book consists of three main sections. Part I starts with a recent analysis case of failed Chinese investment in Europe. This analysis is the used to formulate the main research questions that this study will address (Chap. 1). Chapter 2 introduces

the main models of entrepreneurship that have been proposed in the recent past and then sets up the model that we have adopted in the current research. Chapter 3 provides a broad range of information about the environment in which Chinese entrepreneurs have to operate. Topics in that chapter include: the structure of Chinese economy, types of enterprises in China, and the changing position of entrepreneurs in Chinese political and economic parlance.

Part II, Chaps. 4 to 10 consists of descriptions and analyses of the case matter used in our research, applying the model introduced in Chap. 2. Not all cases will be introduced with the same degree of detail. This book is a report of the findings so far in an ongoing long term research project. Besides the main researchers, the authors of this book, a changing number of co-researchers are involved in the project. These are students of Renmin University who are being trained by the authors to do entrepreneurship research. Three cases studied for some time are analyzed in-depth. These will be followed by a number of cases prepared by co-researchers, which are still in an initial stage, but far enough to contribute significantly to the research. To show our indebtedness to these co-researchers, their names will be given for each case they prepared. One case has been adopted by co-researchers from a published case. That case was found to be of sufficient detail to qualify for re-analysis using the models employed in our own research.

Part II has a pivotal function in this book. On one hand it shows the practical implementation of the theory introduces in Chap. 2, and on the other hand it is a reference material for the aspects of Chinese entrepreneurship that will be treated in Part III.

The main objective of our research is to reveal the social drivers that together have made the entrepreneurs of the cases in this study choose to derive their income from their own labor, rather than getting a salaried job. We have also looked for similar social drivers that have affected choice of business, location, partnering, strategy, etc. After outlining a model of entrepreneurship research in Part I and applying that model to a number of practical cases in Part II, Part III selects a small number of features that can be found to be common social drivers for most entrepreneurs. These include: family, (people in the) home region, (people in) government agencies and friends. A salient feature of these chapters is that they include numerous sections from interviews with the entrepreneurs. Interview techniques are an organic part of our research methodology and are explained in depth in Chap. 2. The excerpts from the interviews in the chapters in Part III usually consist of two parts:

- The literal translation in cursive font; the English in the translations may at times strike the reader as rather clumsy, which is the result of our attempts to retain as much of the original flavor in the translations;
- Direct comments on the text, atypical phrases, explanations of terms referring to Chinese institutions, practice, etc., that may not be known by most readers.

We hope that this will allow any reader to access the rich contents of our interviews with entrepreneurs.

The function of most snippets is to illustrate our findings and conclusions. A small number of longer segments can be regarded as typical examples of the core issue of the chapter. These longer segments will be presented in the chapters of Part III integrally, though chopped in smaller sections. Between sections we will explain how we as researchers have been constantly monitoring the interview, picking up cues from the stories of the entrepreneurs, steering the focus of the story in certain directions, etc. These longer sections are thus not only illustrations of aspects of entrepreneurship, but also provide valuable insight in entrepreneurship research practice.

Part III simultaneously functions as a summary of our finding so far in our ongoing research. The selection of social drivers that are the main topics of each chapter in that section has been based on our analysis of the life stories of an ever growing number of entrepreneurs. The number of important social drivers may grow in future research, but we believe we have reached a point in our research that we have accumulated a critical mass of findings, significant enough to share with fellow researchers of entrepreneurship in general and Chinese entrepreneurship in particular.

In this respect, Part III also reports on the application of the research method introduced in Chap. 1. Our comments on the snippets from the interviews not only relate about their contents, but also point out what techniques were used to collect what data, how those data were interpreted and how our interpretations were used to formulate new questions or otherwise steer the interviews. We hope that by writing those chapters in that way, readers will be able to follow the interviews almost as if they were participating in the research. We hope that this way of presenting our findings will appeal to readers with a broad range of interests.

Chapter 2
Entrepreneurship

Defining Entrepreneurship

The purpose of this chapter is to construct a working definition of entrepreneurship and research method suiting that definition. To accommodate the readers who are less familiar with recent academic discussions on entrepreneurship, we will start with a brief resume of those discussions, before moving on to our working definition of entrepreneurship.

The number of different definitions of entrepreneurship in recent academic publications is enormous. This diversity has not escaped the attention of the academics. A number of researchers have attempted to find the reasons behind this multitude of definitions.

According to Davidson, there is a lack of common understanding of what entrepreneurship precisely is (Davidson 2004; Hill and Levenhagen 1995). Casson contends that most studies about entrepreneurship rely on stereotypes (Casson 1982).

A look of a few concrete definitions of entrepreneurship from notable scholars of entrepreneurship will help getting an idea of the extent of the diversity. We will start with quoting two full definitions and then list a number of other influential researchers and what they consider to be the core issue of entrepreneurship:

> The field of entrepreneurship is defined as the scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated and exploited. (Shane and Venkataraman 2000, p. 218)
>
> Entrepreneuring is the efforts to bring about new economic, social, institutional, and cultural environments through the actions of an individual or group of individuals. (Rindova et al. 2009, p. 477)

P.J. Peverelli and J. Song, *Chinese Entrepreneurship*,
DOI 10.1007/978-3-642-28206-5_2,

Lumpkin and Dess (1996), Low and MacMillan (1988), Gartner (1988)	New entry; the creation of new enterprises/ organizations
Cole (1949)	A purposeful activity to initiate, maintain and aggrandize a profit-oriented business
Wiklund (1998)	Taking advantage of opportunity by novel combinations of resources in ways which have impact on the market
Stevenson and Jarillo (1990)	The process by which individuals pursue opportunities without regard to the resources they currently control

These definitions have been selected, because they reflect a number of problems in defining entrepreneurship. The first definition uses the noun 'entrepreneurship', which evokes a perception of entrepreneurship as an entity, or a trait, while the second definition speaks of 'entrepreneuring', a verb, conveying a feeling of process. Weick has already pointed out that people tend to talk about organizations using nouns, and urges researchers to use more verbs, in particular gerunds (like Rindova et al. 2009), direct attention to the processes that construct organizations (Weick 1979, p. 44). Although semantically equivalent, the cognitive difference on the part of the reader between 'the creation of X' and 'creating X' is significant. The above table indicates that the trend in the recent academic study of entrepreneurship has been to abandon traits and focus on processes.

We also seem to miss something in both definitions: the person of the entrepreneur. Whether you regard entrepreneurship as a set of traits or a process, the locus of the traits/process should be the entrepreneurs as social actors, who posses those traits, or participate in the process. These actors are the ones who 'create, discover, and exploit value-adding opportunities', etc.

With these basic considerations, we can have a closer look at the different ways scholars have tried to set up models of entrepreneurship.

Schools of Thought on Entrepreneurship

The broad diversity of approaches and definitions found in the literature can be crudely divided into three generic types. All three types are currently still in use, but there is a certain historic order.

1. Economic approach
2. Trait approach
3. Social identity approach

Economic Approach

In the economic approach, which we will regard as comprising business based approaches, an entrepreneur is regarded as someone who coordinates different factors of production. This perception of the entrepreneur can be traced back to early

economists like Cantillon. Cantillon introduced the term in his manuscript 'Essai sur la Nature du Commerce in Général' (Rothbard 1995, p. 351). He was the first to regard fixed income wage-earners and non-fixed income earners as the principal social classes. Entrepreneurs are non-fixed income earners; they invest known amounts of money in production, without exactly knowing in advance how much income that investment will generate. However, they do expect the earnings will exceed the investment, based on their knowledge about the demand for the product.

Jean-Baptiste Say provided a different interpretation of the entrepreneurial task (Say 2001). Rather than emphasizing the risk-bearing role of the entrepreneur like Cantillon, Say regarded the entrepreneur as a manager of a firm; an input in the production process. The entrepreneur acts in the static world of equilibrium, where he assesses the most favorable economic opportunities. Entrepreneurs are catalysts for economic change/development. The payoff to the entrepreneur is not profits arising from risk-bearing but instead a wage accruing to a scarce type of labor.

Critique on Economic Approach

Our most important critique to the economic approach is that it does not explain why certain people become entrepreneurs, while others end up as wage earners. Cantillion, Say, Adam Smith, and other early economists seem to take the fact that some people are wage earners and other entrepreneurs for granted. It is beyond the scope of this study to dig deep into the reasons for that, seeming, lack of interest. One reason that comes to mind easily is that the early economists all originated from a relatively restricted, monocultural, region in Western Europe. None of them would have been able to acquire their knowledge, if they had not been born in a social class that allowed access to such education. The bourgeoisie of which they were part had only relatively recently gained political influence from the hereditary nobility of prior ages. Seen from that perspective, they were revolutionary enough, but are not the models that we are looking for to explore the persons of the entrepreneurs and their activities.

Traits Approach

In the course of the twentieth century, researchers started to define the person of the entrepreneur by drawing up a set of traits a person needs to possess to become a successful entrepreneur. The rise of this school took place simultaneously with the increasing role of corporate actors, the 'businessmen' in society in general. They started to feature as heroes in the media, in particular the rapidly emerging medium of the motion picture. The number of such sets is large, and we will confine ourselves here to a selection of the most influential ones. See Gartner (1988) for a comprehensive inventory.

Schumpeter (1934)	An extraordinary person who brings about extraordinary events, an innovator, new technology (specific person, however temporary), can also be an intrapreneur
Casson (1982)	Synthesizes the attributes/concepts above + skills to judge and coordinate scarce resources, environment (supply of sources) and capital thus important for success
Kirzner (1983)	Alert to opportunities for profitable exchange (can be anybody), a middleman who facilitates exchanges, an intermediary function

Critique on the Traits Approach

While still very much intact in society, the traits schools has come under fierce attack in the academic realm. Our first critique is a philosophical one, related to discerning categories in general. Michel Foucault claims that his most important methodological work, The Order of Things (Foucault 1994), has been inspired by reading Jorge Louis Borges' description of 'a certain Chinese Encyclopedia,' the *Celestial Emporium of Benevolent Knowledge*, which contains a division of animals that fails to make sense to a Western reader (Foucault 1994, p. xv). We will not reproduce the list here and also not spend any time and space on discussing the veracity of that encyclopedia. However, in view of the theme of our research, Chinese entrepreneurship, it is ironic to note that one of the founders of postmodern philosophy, on which the research model used in this book has been based, has been at least partly inspired by an, imaginary of real, Chinese classification of animals.

The human mind like has a propensity to seek structure in seemingly unstructured information. The typical way to create such structure is to draw up categorizations. All words of our language fall into one of a limited number of parts of speech. When we 'know' that 'walk' belongs to the grammatical category of verbs, we are able to tell quite a few things about that word's meaning, morphology, etc.

However, people also have another propensity regarding classifications: they tend to see their own classification of things as objective reality. As a result, everything needs to be categorized, and when a certain object does not readily fits a particular category, the creators of that categorization will go out of their way to squeeze it into a category. This is a major source of reification, regarding an ad hoc concept as objective reality. Foucault therefore proposed an archaeological approach to knowledge. This methodology is not concerned with the extent to which a certain categorization is true, but studies the way in which that categorization constructs the conditions of what counts as truth. This includes the historic course of social interaction in which a particular categorization has been constructed, hence the term 'archaeological'. We will leave this discussion on categorization here, and continue it later in this chapter, when we will introduce social constructionist organization theory.

A consequence of taking the position that the world can not be described by a single system of categorization, is that we should refrain from a categorizing at all, or, at least, should use it carefully, as a way to try to see 'a certain extent of structure' for a specific purpose. Another consequence is that any system of categorization will always create exceptions, items that do not fit any of the categories entirely.

Back to the traits approach to entrepreneurship, it is possible for any categorization of entrepreneurs proposed in the literature to find entrepreneurs (i.e. people who have set up an enterprise) who does not fit all the criteria of an entrepreneur listed in the definition.

Another problem is created when several ways of categorizing people are applied simultaneously. In the course of history, humanity has divided the world in continents, sovereign states, regions, etc. The percentage of the population that would fit a certain categorization is not equal in all regions. Therefore the question arises why do some regions develop more entrepreneurially than others? Even if a certain categorization of entrepreneurs seems to hold, it would still fail to explain this regional variation. This would point at an academic flaw in that model of entrepreneurship. Unless, of course, one could prove that people born in certain region have a stronger entrepreneurial genome.

Apart from geographic complication, interference in the applicability of the trait approach comes from more social categorizations. In many parts of the world, several times more men become entrepreneurs than women. This points at a gender issue in entrepreneurship. The feminist critique on male oriented academic research has had an especially strong influence in the field of organization theory (Calas and Smircich 1992), including the study of entrepreneurship (Balsamo 1985; Ferguson 1984; Ramsey and Calvert 1994; Smircich 1985; Ogbor 2000). It is also an issue that we will need to address in the empirical chapters. A search for pictures related to the theme of 'entrepreneur (*qiyejia*)' in the Chinese search engine Baidu performed on June 7, 2011, resulted in 36 pictures for the first two pages. These could be broken down in the following types:

Type	Number
Men	8
Women	2
Groups	20
Other	6

Obviously, we need to point out that what we stated about categorization above, also applies to the above table. A conclusion that women stand out as the underdog in this table would be based on the way the table has been constructed. Nevertheless, taking this perspective into account, single females are a small

minority. We did the same for Google on the same date, which resulted in the following table

Type	Number
Men	12
Women	2
Groups	6
Other	16

The minority position of single women is even more prominent than for Baidu. The large number of group pictures in the Chinese search result could be explained by the collective nature of Chinese culture as is pointed out by leading researchers on business culture (Hofstede 1980; Trompenaars 1992). The difference in the category 'others' is probably a good example of the relative value of categories, in particular a dustbin category like 'other'. There is therefore no need to analyze these pictures. Suffice it to note that the notion of entrepreneur is strongly related to male gender in China, and on the global scene. Interestingly, not one of the many trait approach definitions of entrepreneurship mentions that a typical entrepreneur is male. This seems to indicate that academics perceive mentioning this trait as inappropriate, but then forget (or take for granted) that their categorization can never reflect the (perceived) reality.

The relativity of the interpretation of these pictures of 'entrepreneurs' is increased even more, when we apply other categories than gender. We could, e.g., attempt to divide the same search results in terms of age, and count the ratios of 'young people' vs. 'old people' to establish whether a typical entrepreneur is perceived as young, or rather older. While gender can at least be linked to a physical sex of the people involved, age related terms like 'young', 'old', 'generation', etc. are much more determined by the personal perception of the researcher. Is a 40-year entrepreneur 'young', or 'old'? These questions do matter, as people link numerous attributes to age. Young people are usually regarded as having a higher propensity for risk taking than elderly in all cultures. If risk taking is then listed as a trait of an entrepreneurial person (Litzinger 1965; Brockhaus 1980; Hull et al. 1980; Welsch and Young 1982), then a young person would have more traits of an entrepreneur than an older one.

There is yet another aspect that is left unexplained by the traits approach. Why do the majority of the start-ups fail and others not? According to a recent BBC news report, four out of every five business start-ups ends in failure and one of the main reasons comes down to either poor planning or a total lack of it (Siteroom 2010). Does that mean that most of the people who decide to give entrepreneurship a try are not 'real' entrepreneurs? Phrased more precisely: should we only regard people whose newly founded company has proved successful as entrepreneurs? If the answer to that question is positive, it would immediately trigger a number of new questions, like: what is successful, and at what moment in time success of failure of a start-up should be tested?

To summarize, there seems to be much more involved in entrepreneurship that a handful of traits of the person of the entrepreneur can explain. It seems to be related to the social identities of the entrepreneurs. This social aspect has been slighted by the economic and the trait approach. Social identities can be used as traits, but then we would end up with an open categorization, while a basis trait of any categorization is that it consists of a finite set of categories.

When we define entrepreneurship as the act of establishing an enterprise, we would do better by defining entrepreneurs simply as people who set up a company. This would in fact suit the economic approach in that setting up enterprises is a basic economic activity. It would also to some extent suit the trait approach, as 'setting up a company' can be regarded as a single trait, one that is shared by all entrepreneurs.

However, the main difference between the definition proposed here and those of the economic and traits schools is that it defines entrepreneurship as a process; the process that makes certain actors decide to derive their income not from a salaried job, but from their own enterprise. Decisions are part of the sensemaking process, that takes place in the form of social interaction. People who decide to make their living from their own endeavor will therefore have done so on the basis of their interaction with other actors. This makes those other actors equally important for the study of the entrepreneurship of any individual entrepreneur. This in turn means that, if we want to gain insight in entrepreneurship, we need to focus on the social identities of the entrepreneurs, the social influences from other actors that together make certain persons decide not to derive their income from employment, but from his or her own enterprise.

Side Step: Mr. Du Kerong

Before moving on to the social identity approach, we would like to look back at our example case of the previous chapter. When we take a closer look at the way Mr. Du's attempt to acquire Draka has been perceived in Europe, we can see a combination of the economic and trait approaches. The Reuters article quoted in full completely reflects the thinking of the trait school. He is a real hero who works long days, hardly needs any sleep, can handle a lot of liquor, makes fast decisions, etc. The journalist does include some of Mr. Du's other social identities, like his family background and his military career, in the story, but the main message of the report is that Mr. Du complies with the generic issues of an astute businessman. In fact, Mr. Du's Chinese identity also plays at most a background role in this story. When we replace 'Du' in this article by 'Johnson', it will still read like a description of an almost flawless businessman.

Social Identity Approach

According to Down and Warren, referring to the work of philosophers (Foucault 1982; Taylor 1989; Dennet 1993) and sociologists (Giddens 1991; Jenkins 1996), the entrepreneurial identity is not located in the personality of the individual, but instead it is constituted through interaction between the individual, society and culture (Down and Warren 2008, p. 5). They argue that social identity is not a trait located in the individual, but a process of acquiring that identity in social interaction with others. This suits our conclusion of the previous section, that entrepreneurship should not be regarded as a trait of a person, the entrepreneur, but as a process of deciding to establish an enterprise, the establishment of the enterprise and the exploitation of the enterprise. It is a process that has no clear beginning or end.

The person of the entrepreneur plays a central role in that process, but is not the only actor involved. Just like any social identity of entrepreneurs is constructed through social interaction with other people, so is their entrepreneurship. Identities are constructed in ongoing social interaction. They are a function of what I believe about myself, what you believe about me and the extent to which these two beliefs match (Weick 1995, p.18 ff). Following this line of thought, the academic study of entrepreneurship then becomes identifying the combination of social influences that have caused an individual actor to become an entrepreneur. For each such individual we need to make an inventory of their social identities and on the basis of that insight try to reconstruct the social construction of that person's entrepreneurship. This method reminds us of Foucault's proposal to replace the method of categorization with an archaeological approach, as the method we are trying to formulate includes the historical course of events.

The social embeddedness of entrepreneurs has been a theme in contemporary debates on entrepreneurship for some time (Waldinger et al. 1990; Portes and Sensenbrenner 1993; Granovetter 1995; Rath and Kloosterman 2000; Kloosterman and Rath 2001; Lin 2001). Due to the rapidly increasing influence of China on the global economy, understanding the embeddedness of the emerging class of Chinese entrepreneurs has become more than a merely academic endeavor (Batjargal and Liu 2004; Yang 2007; Xiao and Tsui 2007).

In most of these debates, the notion of embeddedness is linked to social networks. Entrepreneurs are seen as people who combine various resources (capital, knowledge, people, etc.) to create surplus value. These resources can be accessed through the different social networks of which the entrepreneur is a member (Kloosterman and Rath 2001, p. 192).

The sum of the potential access to resources an entrepreneur accumulates in social networks is often referred to as social capital. Bourdieu distinguishes between economic capital, cultural capital and social capital. The capital of each individual is a specific mix of these three (Bourdieu 1986, p. 114). Lin (2001. P. 119) uses a definition that is more focused on the financial meaning of the word capital, when he states that the premise behind the notion of social capital is rather simple and straightforward: investment in social relations with expected returns to

the market place. Lin follows Burt (1992) here in linking social capital to social networks. Network locations are seen to 'represent and create competitive advantages' (Lin 2001, p. 22; also see: Batjargal and Liu 2004).

However, the majority of the discussions use the term social network, but do not engage in social network analysis. The minority that do (e.g. Granovetter 1995; Lin 2001) use mainstream social network analysis that describes social relationships in terms of nodes and ties, where the nodes are the individual actors, and ties the relationships that exist between the actors (Brass and Burkhard 1992; Sott 2000, p. 89; Kilduff and Tsai 2003, p. 13–16).

Social network analysis is a useful tool to study how individuals form alliances on the micro level. However, when trying to apply it to higher level problems, this method of analysis seems to deviate from the way people form relationships in social practice. People tend to form relationships on the basis of inclusion in social groups. For example, an interior decorator who has worked as an employee of a firm specializing in decorating private homes for a number of years, may decide to start his own consulting company in the same business. Another option would be to start a similar company in another market segment, like corporate offices. In both cases, this person would be using the same skills, typically acquired through education, but in the first case, he would also use the experience accumulated during his employment whereas, in the second option, he would have to make an additional effort to get into the world of corporate interior decoration. Our entrepreneur could also leave the decorating business and decide to venture into a completely different field requiring an even heavier investment in accessing and combining resources. This explains why people who exchange a salaried job for a private business would be more likely to take the first option: doing what you are used to do, but as your own boss.

This has not gone unnoticed by network researchers. Granovetter (1983) already points at 'the strength of weak ties'.

> The argument asserts that our acquaintances (weak ties) are less likely to be socially involved with one another than are our close friends (strong ties). Thus the set of people made up of any individual and his or her acquaintances comprises a low-density network (one in which many of the possible relational lines are absent) whereas the set consisting of the same individual and his or her close friends will be densely knit (many of the possible lines are present). (op.cit. 201–2)

Elfring and Hulsink (2003) in their research on the role of networks in entrepreneurial processes in new venture development distinguish three roles:

1. Discovery of opportunities
2. Securing resources
3. Obtaining legitimacy

They have further looked at the differences in importance of strong and weak ties for the various roles of networks in entrepreneurship. Although Elfring and Hulsink readily adopt the terms strong and weak ties, without discussing their nature, we will extensively quote their finding here, because they constitute a very complete set of propositions regarding entrepreneurship based on social relationships.

As we will point out later in this chapter, our own research model deviates from the one used by Elfring and Hulsking, but as we will revert to these findings in the concluding chapter of this study, to see to what extent the new way of network analysis proposed here corroborates or denies these findings.:

Discovery of Opportunities

- **Prop 1a** For ventures pursuing incremental innovations, ventures using more weak ties than strong ties are more likely to discover opportunities than those that do not.
- **Prop 1b** for ventures pursuing radical innovations, ventures using a balanced mix of strong and weak ties are more likely to discover opportunities than those that do not.
- **Prop 1c** strong ties are more important for ventures pursuing radical innovations as they enable 'trusted' feedback and exchange or tacit knowledge on the nature of the opportunity.

Securing Resources

- **Prop 2a** for ventures pursuing incremental innovations, ventures using more strong ties than weak ties are more likely to secure resources than those that do not.
- **Prop 2b** for ventures pursuing radical innovations, ventures using substantially more strong ties than weak ties are more likely to secure resources than those that do not.
- **Prop 2c** strong ties are more important for ventures pursuing radical innovations as they enable the exchange of tacit knowledge in the deployment of resources.

Obtaining Legitimacy

- **Prop 3a** for ventures pursuing incremental innovations, ventures using more strong ties than weak ties are more likely to gain legitimacy than those that do not.
- **Prop 3b** for ventures pursuing radical innovations, ventures using a balanced mix of weak and strong ties are more likely to gain legitimacy than those that do not.
- **Prop 3c** weak ties are more important for ventures pursuing radical innovations as endorsement by outsiders is important in gaining legitimacy.

Burt has attempted to address the problem by regarding strong ties as links between members of a group and weak ties as links between members of different groups. For the latter, he has introduced the concept of structural hole, a gap between tighter networks (Burt 1992, 2005). In this view, society is imagined as consisting of networks of tightly related individuals, which can be linked by brokers, people who have ties within different networks. While we believe this is a major step forward, the problem of this model is that, because it still takes individuals as nodes, it puts the broker in the relatively isolated position of linking groups, while apparently not belonging to any of them. Xiao and Tsui (2007) also highlight this problem (p. 20). A more natural solution would be to conceive the role of brokers as people who are members of multiple networks. This paper attempts to use concepts from Social Integration theory (Peverelli 2000; Peverelli and Verduyn 2010) to add such a model to existing social network analysis.

Combining Kloosterman and Rath's view of the entrepreneur as someone who combines resources with Lin's model of social capital, we would like to redefine entrepreneurs as people with a strong capability to create value from their social capital by linking their social networks in various ways. To support this definition, our problem is to find a way to enrich existing social network models with a module that takes into account the multiple social inclusions of the same person. In this study, we will turn to Social Integration theory to find such a module, and test the enriched model on the building of social capital by a Chinese entrepreneur.

Social Integration Theory

Social Integration Theory draws heavily from the organizing theory of Karl Weick (Weick 1979, 1995), enriched with concepts of postmodern philosophers, in particular Foucault's ideas on the socially constructed nature of reality as mentioned earlier in this chapter. The central theme in Weick's theory is that of sensemaking. Actors constantly encounter situations that are multiply interpretable. They try to make sense of such situations by reducing the equivocality to one single interpretation. This reduction process takes place in social interaction between several actors. Actors will exchange information regarding a specific topic until they have reached a certain level of agreement. In this respect, Weick's definition of interaction is close to the one proposed by McCall and Simmons (1966). The achievement of this purpose is reflected by the degree to which the actors' behavior becomes interlocked. The interlocking of behavior of actors in continuous social interaction is the basic definition of organizing in Weick's theory.

Weick further observes that actors perform this interpretation retroactively. Actors first act [enactment] on previous experience, until they encounter an equivocal situation. At that moment, the process to reduce equivocality starts until a sufficient degree of non-equivocality has been attained.

Moreover, actors do no search for the best (most realistic, most true, etc.) interpretation of that situation, but for the most plausible interpretation, i.e., the

interpretation that suits the current context (the moment the interpretation takes place) of the actors best, is selected [selection].

As a result of the reduction, some possible meanings of the equivocal data will be rejected and some will be retained [retention]. The actors will than continue to act based on that interpretation, until more equivocality is met. This cycle of enactment -> selection -> retention is repeated endlessly. Actors build up a certain view of what the world is like based on the continuous process of sensemaking. Weick refers to these views as cause maps. In the course of his sensemaking, actor A may observe event Y and judge that it has been caused by event X. The next time event X occurs, A will presume (retroactive sensemaking) that Y will follow. Consequently, if A wants to prevent Y from happening, A will try to avoid X. This will continue until something happens that runs counter to this part of A's cause map (e.g., an event X happens without causing an event Y), at which moment A will revise this map.

Another key theme in Weick's thinking is the notion of double interact, which was proposed to describe the sensemaking process by actors in ongoing interaction. Actors who have to co-operate in performing a certain task will at first hold different interpretations of various aspects related to that task (equivocality). This equivocality will impede them to interlock their behavior. During their initial interaction, the actors will exchange these interpretations and mutually adapt them until a common interpretation (regarding aspects essential to successfully perform the task) has been attained. If we wish to understand such interaction, it is insufficient to observe how B reacts to A. We also have to observe A's reaction to B's reaction to A. When actor A makes a statement to actor B, B can either affirm or deny A's statement. Subsequently, A can accept or reject B's reaction. This results in four possibilities:

Act	Interact	Double interact	Type of influence
A	A	A	Uniformity
A	A	B	Anticonformity
A	B	A	Independence
A	B	B	Conformity

(Adapted from Weick 1979, p. 115)

Simple interacts are insufficient to assess the relation between A and B. If we know that B rejects A, we only know exactly that. However, if we also know that A in turn rejects B's rejection, we know that the relation between A and B on that particular issue is one of independence. If A would have accepted B's rejection, the relation would have been one of conformity. Different outcomes of the double interact have different consequences for the continuation of the interaction between A and B. Moreover, the double interact is also indispensable for the construction of identity of both A and B, i.e. what A is to B and B to A. Again, Weick's analysis of interaction approaches the one draw up by McCall and Simmons (1966). However, where McCall & Simmons stop at stating that interaction is 'a joint function, as a mutual or reciprocal influence' (McCall and Simmons 1966, p. 47), Weick

elaborates on this concept by defining the double interact as the basic building block of social interaction.

Social interaction is an endless repetition of double interacts between actors. In the course of social interaction, actors will adjust their behavior to their fellow actors, resulting in interlocked behavior. Several consecutive cycles of interlocked behavior constitute a collective structure, a pattern of collective behavior, like regularly repeated activities in a company. A typical example of such a structure are the employees of a company who leave home every week day to go to the place of work they share to do the things they do every working day, etc. Their collective sensemaking of the world has crystallized in a number of shared daily routines, symbols of which they make sense in similar ways, etc. That they do not have to make sense of what to do and why to do it every single work day makes life a lot easier for them and allows them to make more efficient use their limited span of attention to make sense of whatever is not compliant with their expectations.

The last key notion from Weick's theory to be mentioned is 'partial inclusion.' Each actor will be part of several groups of actors with interlocked behaviors. The formation of such groups is a continuous process; groups form and disband. Actors enter groups, while others leave them. During an effort to stabilize his inclusion in a certain group, an individual actor may force to integrate more of himself into that group. This notion of inclusion seems to bear great importance to organizing processes, however is not very well elaborated by Weick.

It was especially this aspect that H.J. van Dongen and his associates have used as a starting point to enrich Weick's theory (de Laat 1983; Maas 1988; Dijk 1989; van Dongen 1991). van Dongen et al. (1996) was their first integrative statement of the Social Integration model. The core theoretical notion of van Dongen et al. is that of configuration. Configurations are groups of actors who, during continuous social interaction, have attained a similar interpretation of reality (compare Weick's interlocked behavior). This definition reflects the two aspects of configurations:

- A social aspect: frequent, organized, social interaction (e.g., work related meetings)
- A cognitive aspect: similar interpretation of reality.

Reality is understood as having a constructed nature. Actors construct their (version of) reality via an ongoing process of social interaction. These definitions of reality are never comprehensive theories comprising all aspects of reality. Actors only possess a limited span of attention. They will use this span to cover that part of reality that is essential; that which comes to the fore in the present context. Complex phenomena are reduced to simple, comprehensible, treatable, facts (compare Weick's reduction of equivocality). Reality is constructed using a set of construction rules. Actors apply these rules in a continuous process of re-construction of reality.

Following Weick, van Dongen et al. recognize that actors are simultaneously included in several configurations. However, they replace Weick's term of 'partial inclusion' with the notion of 'multiple inclusion.' Weick's term seems to reflect the perception that actors divided their attention over a number of inclusions and is

therefore never totally included in any one structure. van Dongen's term 'multiple inclusion' emphasizes that actors are included in several, theoretically indefinite, configurations. In each concrete occasion of social interaction, actors will tighten a shared inclusion, but they will also have access to other inclusions.

van Dongen et al. regard Weick's double interact as a useful tool in describing the interaction between two actors. However, its shortcoming is that it presupposes a dyadic relationship. This may explain why Weick has problems in elaborating his concept of partial inclusion. van Dongen et al. introduce a third party into the relationship between two actors. Instead of dyadic relationships, they look at the relationship between actors as being tertial. This third refers to other inclusions of actors. During social interaction within a certain configuration, actors can bring elements of their other inclusions into that interaction. A particular actor can use a certain definition of reality in one context (configuration), but use another one in another context (configuration). Actors can draw from a multitude of inclusions and the nature of their relationship is different for each different third party.

Peverelli suggested use a term cognitive space (usually abbreviated as 'space') for most of the social cognitive groups that were referred to as configurations in the van Dongen model of the SI model. 'Configuration' should then be reserved to 'a relatively small group of actors who frequently interact about a specific topic.' (Peverelli and Verduyn 2010, p. 25). The term space refers to something that confines, but is broader than the notion of configuration. space touches upon time as well as place, it refers to space in which interaction can take place, but simultaneously to the socially constructed limitations (impediments) of the interaction. Within a certain space, activities proceed according to the rules that hold in that space. It is like Weick's bracketing: actors are unable to comprehend all cues that come to them from their environment and construct their version of reality using a selection of cues (Weick 1979, p. 113). Actors give meaning to their activities and agree on rules prescribing the ways how to act or not to act during interaction and consequently start regarding those meanings and rules as existing confinements of their actions (reification). However, contrary to the framework of van Dongen et al. we believe that this not only holds for social cognitive configurations, but also for larger groups of actors, which we are now referring to as spaces. The cognitive element (cause maps, construction rules, etc.) of such spaces are less specific than within configurations. Moreover, spaces differ in their degree of specificity. Larger, more diffuse, spaces can comprise smaller, more specific, spaces, which will inherit the traits of the larger space, while adding some specific traits of their own. California is a space. San Francisco is a more specific version of the California space. In this framework, configurations are in fact very similar to spaces. They could be defined as small groups of actors with frequent social interaction evolving around a strong specific cognitive element. As a special type of sub-space, configurations will inherit the cognitive and social traits of the Space in which they are constructed and will add more specific ones pertaining to their particular configurations.

Spaces can also be regarded as potential triggers of organizing processes. We can not only observe ongoing social interaction within a space, but once we

understand the cognitive element of a particular space, we may attempt to predict possible social interaction that may take place, or could have taken place, as a consequence of the cognitive element of that space, including the way(s) such interaction could be initiated and developed. Such insight will be valuable for an in-depth understanding of organizing processes by organization theorists, social psychologists, sociologists, etc., but will also serve a number of practical purposes, such as: analysis of and intervention in organizational problems, marketing research, feasibility studies, etc. We will not elaborate this topic here, but will illustrate several uses of spaces as potentialities at several places in this study.

With our methodological tool of space, we now have a simple and elegant solution for this problem. Enterprises, associations, institutions, unions, clubs, etc., are spaces. An enterprise comprises a number of actors (the employees) who continuously re-construct the enterprise in their (work) daily routines. An enterprise also has a distinct cognitive aspect. Through the frequent social interaction employees of an enterprise share a certain cause map. Employees do certain activities in certain prescribed ways (construction rules). An important activity in enterprise spaces is the production of texts (brochures of the enterprise itself, or its products, magazines, annual reports, advertisements, etc.). Such texts serve a dual purpose: they present the space to the outside world and provide instructional material for the socialization of new employees.

Although we have described a space as having both a cognitive and a social element and have stated that those elements are mutually influencing, the cognitive element is stronger in a space than the social element. As sensemaking, the reduction of equivocality, is the basic motor for human organizing processes, the influence of the cognitive element on the social element is stronger than the opposite. Once social activity has been set off, it can in turn influence cognitive activity, which can again affect social activity, in a continuous double-helix-like process. Moreover, when we observe structures of large spaces comprising one or more sub-spaces, the former seem to have a strong cognitive element, while the social element is quite weak. Information, meanings, etc., are easy to spread to a high number of people through the various means of communication. However, within a large space like, e.g., a province, opportunities for common intensive social activities diminish. Seen from this angle, we could put space and Configuration on a gliding scale. On one end of that scale there are very large spaces, which are almost purely cognitive spaces (nation spaces may be tentatively taken examples of such spaces). When we proceed to the other end of the scale, spaces get smaller in terms of numbers of actors and the social element becomes more elaborate. At a certain moment, not too far from the other end, we encounter spaces like enterprise spaces. Arrived at the opposite end, we find the social cognitive configurations, or shortly, configurations. There, the cognitive and the social element are equally strong.

The notion of (multiple) inclusion can be applied to cognitive space as it was applied to configurations by van Dongen et al. A particular instance of social interaction will always take place in a specific social cognitive context (space),

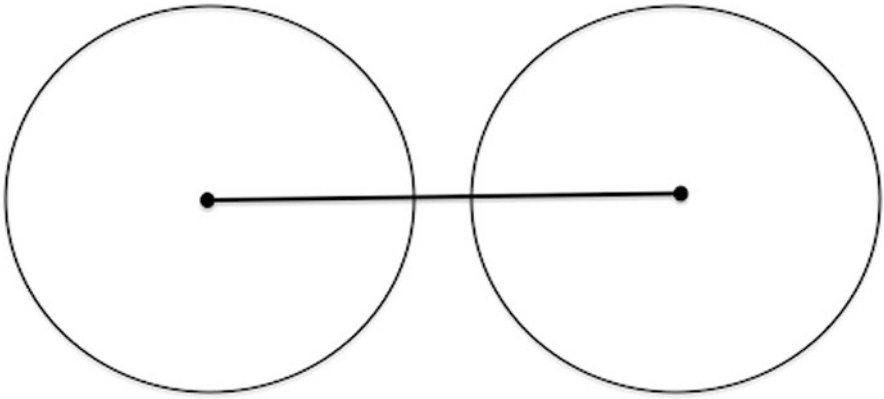

Fig. 2.1 Basic graph showing one actor with two inclusions

but actors can access the cognitive elements of other spaces through their multiple inclusions.

SI theory includes a graphic convention. As soon as two or more actors start interacting about a certain theme, they will create a configuration consisting of the actors and the cognitive matter they share (typical language, symbols, ways to do things, etc.).

Figure 2.1 represents a situation in which two configurations are linked by the fact that actor A is included in both.

Mainstream social network analysis would not be able to handle this situation, as you need at least two actors to draw a basic network.

In SI research, one observes who interacts with whom and the nature of that interaction. While observing, the researcher gradually becomes aware of the social-cognitive groups, the key actors and each actor's multiple inclusions. SI researchers build up their insight in the social construction of the object of their research by laying down the observed data into graphs such as Fig. 2.1, which can be regarded as a representation of the social embeddedness of actors.

As such, the SI model is a tool to map and link the social capital of each key actor involved in the case under investigation and simultaneously see how the social capital of all these actors is organically integrated.

Social Integration and Networks

A look at the graph in Fig. 2.1 will show that SI graphs resemble the graphic representation of a network. This is not a coincidence, considering that social relationships are the core theme of SI theory. The main difference between mainstream social network graphs and SI graphs is that in the former the nodes are individual actors, while in the latter the nodes represent groups of actors.

Two (social cognitive) groups is SI graphs are linked by actors who are included in both. These actors are the channels through which members of one group can access the cognitive matter of the other group.

The strength of the SI graphs is that they not only demonstrate how all actors are linked to all others, but also indicates the nature of the linkages. An SI graph is a not a network of individuals, but of social groups. Although the SI graph in Fig. 2.1 only includes 1 actor, the graph actually represents a much larger group of people, as each inclusion, represented by the circle, stands for a group of people. The left circle could, e.g., represent the work inclusion of the actor, and the right one the family inclusion. We can imagine that work organization includes numerous colleagues and the family several other family members. The strength of the SI model is that we do not need to draw in all those other actors, as we know, from our general knowledge of society, that work organizations and families consist of several people.

The strong point of this methodology is that it accounts for actors acting from different identities. The actor in Fig. 2.1 can have different points of view concerning the same issue, depending on whether (s)he is regarding it from a work point of view or a family point of view. Moreover, in all situations, the actor enacts all roles simultaneously. What varies is that in one situation one inclusion will be more prominently invoked than the other inclusions.

Applying this new concept of social network analysis can lead to a breakthrough in any research involving the social embeddedness of people, like the social embeddedness of entrepreneurs, the core theme in this study. People decide to undertake actions on the basis of their sensemaking of the world and their role in it vis a vis other people. This way of sensemaking is a product of ongoing social interaction with exactly these other people. Actions within a certain social-cognitive context (inclusion) can be influenced by sensemaking that takes place within that inclusion, but very often also by sensemaking in other inclusions of the actor.

Members of the same household may decide to have an early dinner, so the sports lovers among them can watch the kick off of an important football game on TV. However, one or more of that family's members may request an early dinner for the same purpose, because they want to discuss the game with their colleagues at work the following day. We can still use the basic graph of Fig. 2.1 and imagine that the first circle refers to the household inclusion of that actor and the second one to the work inclusion. What happens in one inclusion (discussing yesterday's football game) influences actions in another (setting the time of the family dinner).

However, the SI model allows the researcher to account for much more. 'Discussing football with ones colleagues' is most probably not about a shared liking, but something that is part of the identity construction of those colleagues. It sets the football fans apart as a configuration on their work floor, separate from those who are not interested in that type sport. This makes it imperative for the members of that configuration to watch the game. That in turn will affect the way they will 'request' an early dinner. It is likely to be phrased as a strong request.

The previous paragraph explains how multiple inclusions of an actor can act as channels through which cognitive matter from one inclusion can influence that in

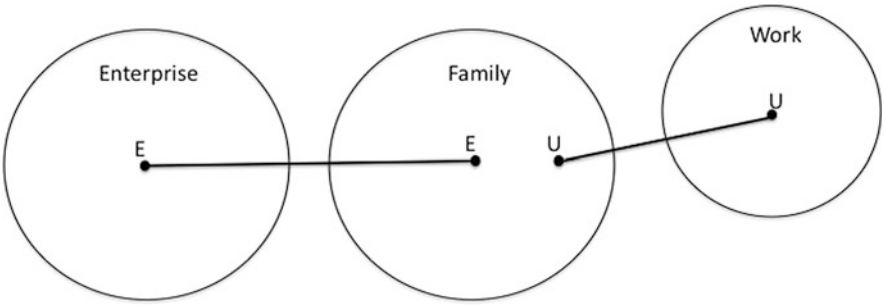

Fig. 2.2 The uncle's work inclusion influences the entrepreneur through their shared family inclusion

another. The actor in our example has two identities: 'family member' and 'colleague'. These different identities are constructed in different inclusions. In each inclusion our actor has relationships with the other actors in that inclusion, that co-construct their social identity.

A main research question in this study is finding out the social drivers that make certain actors decide to become entrepreneurs. The decision will be made in a certain inclusion, but we can expect, again based on our general knowledge of society and human behavior, that such a major decision in life will be made under the influence of at least one, and probably several, other inclusions. Using the SI model, we can make an inventory of the entrepreneur's social identities (inclusions) and determine how the sensemaking in each has contributed to the decision to become an entrepreneur. Once a number of (Chinese) entrepreneurs' entrepreneurship has been analyzed in this way, we may be able to identify a number of recurrent patterns, certain inclusions, or combinations of inclusions, that seem to play a major influential role in the construction of Chinese entrepreneurship.

As stated earlier in this section, a strong advantage of the SI model is that researchers are not obliged to draw in all the actors in the network. It is general knowledge that families consist of several people. It therefore suffices to discern a 'family' inclusion of an actor; there is no need to draw in all members of that actor. The same implies to the 'colleagues' inclusion. However, in some cases particular actors are regarded as especially influential. From the interview with an entrepreneur we may conclude that a certain family member, say an uncle, has been a major influence on that person's entrepreneurship. The uncle can be drawn into the graph. Moreover, if we can determine that the uncle's influence is based on a specific other inclusion, e.g. his work inclusion, we can add that inclusion to the graph. The resulting extended graph is shown in Fig. 2.2.

Entrepreneur E is influenced by uncle U in the family inclusion. U's influential position is based on his work inclusion. The circles in the graphic convention are still symbolic for groups of people, who do not need to be indicated, because it is part of the graphic convention that circles denote social-cognitive groups of people, people bound together by a shared way of making sense. We can now not only link actor E to actor U, but also link the way E makes sense of himself as an entrepreneur

is linked to the work inclusion of the uncle: through the multiple inclusions of U. This is why the model has been named Social Integration theory.

Another important advantage of this model of social network analysis is that it can lead the researchers to influences that are less visible at first sight. This advantage is again based in the basic belief of the social constructionist paradigm that beliefs, values, perceptions, etc., of people are not innate, but the result of influence from other people obtained through social interaction. We are able to pinpoint the source of many of our most cherished beliefs, but many others have come to us subconsciously through regular interaction. It can be something 'my mother always used to say', or a favorable one-liner of a school teacher. An well-trained experienced researcher will have developed a radar to detect such cognitive aspects of the entrepreneur during interviews. Researchers can pick such signals up and include ad hoc questions, or other triggers (see the section on interview techniques below), to stimulate the interviewee to engage in self-reflection, which will, hopefully, reveal the source of such tacit beliefs.

We are not arguing that standard social network analysis should be replaced by the SI model, but rather attempting to increase the explanatory power of both by combining them. The social groups indicated in SI graphs by circles usually represent networks as understood by mainstream social network theory. To continue our example of work and family inclusions, both groups form a social network that can be described as using standard social network analysis. In this way we believe we have found a better alternative to deal with the major problem in network theory, linking networks, than Burt's structural hole model.

We will revert to this in more detail in the concluding chapter, when we will be able to substantiate our claim with the practical examples from the case chapters.

Life Story Analysis: A Historic Approach

The core theme of this study is the social embeddedness of Chinese entrepreneurs. We will study this by identifying the relevant social inclusions of the entrepreneurs by means of in-depth interviews with the entrepreneurs themselves and key people in their most essential inclusions. The current set of inclusions of any person is only a snapshot in time. It can change rapidly in different directions, that can not be readily predicted. However, we can attempt to trace back the history of the inclusions of entrepreneurs by dividing their life story in several periods.

This research method is referred to as life story analysis, which has been developed by a number of scholars (McAdams 1993; Linde 1993). In this method, the life story of an entrepreneur is divided in chapters, different stages in the lives of the entrepreneur. This division should not be made the researcher based on a general set of assumptions about a person's life stages (Linde 1993, p. 21). For example, for many people with a university education, the moment of graduation and the consecutive search for an occupation may be regarded as an typical marking of the end of one stage and the beginning of the next, but this may not be the case for

a particular entrepreneur. During interviews, researchers therefore are required to detect cues that point at such moments, or try to trigger interviewees in such a way, that they provide such cues spontaneously.

The underlying assumption of the methodology is that people construct their own story about what is true about themselves, and that experience can only be understood through a discursive analysis of such stories, we use and practice the narrative approach in this assignment to understand the (entrepreneurial) identity of the entrepreneurs in our case studies. Life-story narratives can be regarded as 'personal myths', accounting for the fact that identity is created by organizing stories about multiple identifications into continually revised biographical narratives that provide answers to the question: 'Who am I?' (McAdams 1993). Hence, life-stories are suitable when the researcher aims to obtain a deeper understanding of the identities of particular people, in this case entrepreneurs.

Following McAdams' model on the life-story approach, the entrepreneurs will be asked to organize their life-story in life-chapters, just like a novel. The beginning of a new chapter is usually an event that the entrepreneurs themselves perceive as a significant turn in their life. This approach fits in with Foucault's proposal for an archaeological approach to categorizations mentioned in our critique on the trait approach of entrepreneurship earlier in this chapter, that takes into account the course of social interaction that has constructed a certain world view. The same ideas of Foucault have also been incorporated in the Social Integration model. The idea is that 'present' is constantly reconstructed from 'past'. Building blocks from the a previous life chapter can be used in following ones, but often with a slightly different interpretation, caused by a different configuration of relevant inclusions of the entrepreneur in question.

Researchers will ask the entrepreneurs to start with the most important chapter first, and focus where possible on the messages they received from their family and peers (and other actors) regarding entrepreneurship/entrepreneurial ('agentic'/autonomous) behavior and the development of their entrepreneurial identity (as well as their experiences in this respect) in relation to their other inclusions such as gender, ethnicity, religion, class, age, sexuality etc. After a more general open interview, the researcher will pose a few specific questions concerning the theoretical concepts.

The analysis of these life-stories starts with a division of the life chapters. Then for each life chapter a set of relevant inclusions is determined from the story of the entrepreneurs. For each inclusion, a content analysis is performed to discover the dominant themes of the cognitive matter of that inclusion. This will result in a historical reconstruction of the social influences that have shaped each entrepreneur's word outlook. Only then we can determine which social identities have been constructive of that person's entrepreneurship, i.e., which social influences have been essential in making that person decide to set up an enterprise.

The network analysis as introduced in the previous section of this chapter will be used to map the various inclusions of the entrepreneur and the major influential actors. The network graphs of each life chapter will then read like a graphic novel of the entrepreneur's life story. Inclusions will be added in each chapter, while others

may become less influential. Some inclusions that started out as direct other inclusions of the entrepreneur, i.e. other than the inclusion in the enterprise, but can downgrade into indirect ones in a following life chapter. In one of the cases used in this study, a young man from Anhui province goes to Beijing to work as an apprentice home renovator. His prime motivation was to make money to alleviate the poverty of his family. In this life chapter the core inclusion is the configuration with the relative, and the family is one of the direct other inclusions; the most important one even. Later, when he has set up his own company, that company becomes his primary inclusion. The configuration with the relative in Beijing remains, but has been downgraded to an other inclusion.

Narrative Analysis

A story is one of the basic methods used by humans to organize events and facts in such a way that they make sense (Van Eeten et al. 1996). Stories, like the life stories of entrepreneurs that constitute the basic data collected and analyzed in this study, are therefore sensemaking devices and belong to (groups of) actors. They can be regarded as carriers of the cognitive element of social-cognitive structures. They are containers for the shared perception of reality, symbols, special jargon, etc. They define the role of each actor and describe the relationships between the actors.

What makes a story a story and not just an account of events and facts is a sequence of events, connected by a plot (for example: Van Eeten et al. 1996; Czarniawska 1998). Plots – consisting of dominant ideas/recurring themes – are indicative of the narrative's author's justification of actions and events. The plot is put in the story (Czarniawska 1998).

An important sociolinguistic method to study stories is narrative analysis. Narrative analysis has a large overlap with life story analysis, in the sense that the former is part of the latter. A leading scholar in this field is David Boje. Boje (2001) makes a distinction between antenarrative, story and narrative. The 'ante' part in 'antenarrative' is taken in both of its basic meanings: 'prior' and 'bet' (Boje 2011).

> ANTENARRATIVE is a "pre-narrative," and a "bet" (ante) that you can tell an antenarrative that will become a living story that is world-changing and transforming to narrative hegemony. An antenarrative is a story that is NOT YET, and a BEFORE narrative. . .
>
> Antenarrative has not yet enrolled its cast of characters. It has not yet become REALized in the world of objects and processes and institutional systems. Antenarrative has not yet changed the context. Antenarrating means you are trying to recontextualize or decontextualize. . .
>
> Antenarratives collect events and characters into their psychic economy. Antenarrative flight continues as long as their is context left to transform. Antenarratives feed on new contexts, they consume contexts, they recontextualize. Antenarratives stay in flight until they become domesticated, or become Framed and tamed within some dominant storyline. (Boje 2011)

Table 2.1 Antenarrative, story and narrative

Antenarrative	Story	Narrative
'Lived experience'	Account of events, facts and incidents as they happened	Events are sequenced and plotted. Tighter coherence

According to Boje, once an antenarrative has been domesticated or framed, it turns into a story. A story is still relatively lively, but has a coherent structure, unlike to incoherent sequence of short clipped sentences, phrases and even single words that make up an antenarrative. Some stories are selected to be told not for the events that make up the story, but to convey a certain message. To make a point, such stories are told and retold numerous times, without major changes. It is hoped that the messages will settle down firmer and firmer in the minds of the audience each time the story is retold. Such a story is referred to as narrative in Boje's model. It adds more plot and tighter coherence than is 'spontaneously' present in the story. Antenarrative comes before story and narrative comes after story. We will use the term 'narrative' when referring to the plotted story (Table 2.1).

When analyzing interviews, it is significant whether the reply by an interviewee about a certain topic is an antenarrative, a story or a narrative. An antenarrative reply indicates that the interviewee is communicating his/her own feelings. Antenarratives are still constructs in the sense that they represent the interviewee's perception of what happened, but should not be regarded as equal to what happened. However, the interviewee is making an effort to make the interviewer feel what (s)he felt at the time the events took place.

In case a reply is given in the form of a story, it indicates that the interviewee still wishes to let the interviewer share his/her feelings when the events happened. However, (s)he is taking a certain distance from the related events. The interviewee has finalized the sensemaking about the events. A trained interviewer can still trigger the interviewee to engage in self-reflection to reinterpret the events to obtain more information about certain events.

When the interviewer detects a narrative reply, it indicates that the interviewee is not in a mode to 'tell what happened', but has the intent to make the interviewer believe his/her version of the what happened, or to use the story as a tool to convey a certain message. It therefore also gives an important signal about the way that interviewer perceives the interview and the interviewer. Professional interviewers can still try to break a narrative open, but it will require considerably more effort.

Narratives can be recognized by the interviewer, because the story is tightly plotted, phrased with grammatically correct sentences. However, often narratives are detected during the tertialization stage (see the next section on naturalistic inquiry for details). For one of the cases used in this study, the entrepreneur spontaneously started talking about his father, when we asked him about the roots of his entrepreneurship. It sounded like a quite credible story at the time of the interview. However, when analyzing the recorded reply, we noticed that it was well plotted, even quite slick. During the tertialization phase of our analysis of this

entrepreneur, we found a story about his father on his blog, dating a year before our interview with him, which was strikingly similar, with entire sections exactly the same. This was solid proof that we were dealing with a narrative. This narrative will be treated in detail in the chapter on Family.

Naturalistic Inquiry

The research methods described above (life story analysis, narrative analysis) all fit in the methodology of Naturalistic Inquiry as proposed by Lincoln and Guba (1985). Naturalistic inquiry is called 'naturalistic', because it is based on the belief that aspects of society and human behavior are consistent and coherent, but not measurable or calculable like the objects of natural sciences. To discover those consistent and coherent aspects, researchers of social sciences need to collect data in the same way natural persons try to make sense of the world in everyday life. Natural persons do so by observing using all their senses, picking up sensible cues from the data streams obtained through the senses, and building an understanding of reality using those cues as building blocks. For example, to understand what a 'table' is, we observe several examples of (objects referred to as) tables and abstract out the similarities common to all instances of tables thus observed. We do not determine the way people organize their worlds, but rather we discover it – by continuous meticulous observing those people.

Another reason to speak of naturalistic inquiry is that in the social constructionist paradigm we believe that the inquirer and the object of inquiry interact and influence each other; they are inseparable. Researchers are people and so are the entrepreneurs we are studying. Entrepreneurship research is a concatenation of social interaction between people, some in their role as observers others as in their role of entrepreneur. However, seen from an organizing perspective, it is not a special type of social interaction. This also applies to the consequences of that interaction. During their interaction, researchers and entrepreneurs will construct their own reality. The life stories of the entrepreneurs are not THE life stories of the entrepreneurs, but constructs, resulting from the interaction between researchers and entrepreneurs. Linde there calls life stories a 'cooperative achievement' of the speaker (the entrepreneur in our case) and the addressee (researchers) (Linde 1993, p. 12).

Moreover, in this methodology the relationship between the researchers and the entrepreneurs are not regarded as that of subject and object. We regularly share our findings with the entrepreneurs and include their feedback to those findings. In this way, the entrepreneurs become co-researchers. This will invite the entrepreneurs to share their life story with the researchers as freely and openly as possible.

Yet another motivation to speak of 'naturalistic' inquiry is that we need to observe people acting in their natural environment. Researchers must identify and gain entry to that environment to study and determine:

- The role(s) the researchers will take at those sites (observers, interviewers, participants, etc.);
- What the researchers want to observe (which people in which processes at what locations, etc.);
- How the researchers will make those observations (including physical positions in the environment);
- Whom the researchers will interview and what topics they will take up;
- How the researchers will record and analyze the information they acquire;
- How to write up or otherwise present the research study.

To maximize our exposure to actors involved in each case, extensive use has been made of unstructured observations and in-depth conversations documented by detailed field notes. To maximize the information obtained from such conversations, researchers need to be aware of the different types of questions used to extract different types of information. There is no fixed typology of questions, but the following list is useful. Typical example questions are provided between brackets. Note that 'questions' do not literally have to be questions. Interviewers can use declarative sentences to bring the interviewees in a certain mode of thinking, or bring up a specific topic.

- **Experience/behavior:** eliciting descriptions of experience, behavior, actions
  Example:
  What are some of the most memorable experiences you have had when you started up your business?
- **Opinion/value:** try to find out what people think, to tell us the goals, intentions, desires, values; from a constructionist perspective, it is advisable to try to make the interviewer link opinions to a certain source,
  Example:
  How did you get the idea to begin an online language school? (this is a better way to phrase this question than starting it with 'why', because a how-question stimulate the interviewee to relate to the sensemaking behind that choice and the people in various inclusions, who may have suggested that choice).
- **Feeling:** understanding emotional responses
  Example:
  How did you feel when …. (This is a very generic question in this category. Another technique is that interviewers express a certain feeling about what is being discussed, leaving it undetermined whether is their own feeling or the feeling they expect from the interviewee, and then observe the reaction of the interviewee. For example, when an interviewee while telling a story mentions something could be perceived as threatening, but the interviewee does not express his/her emotions, the interviewers can spontaneously say: 'Frightening!' The interviewee may then continue without responding, show assent, show disagreement, etc.)
- **Knowledge:** factual information; although perceptions of the interviewees and the social sources of those perceptions are the core information we want to extract in the constructionist paradigm, every now and then one will need simple factual information.

Example:
How many people are working here?

- **Sensory:** what sensory stimuli are respondents sensitive to. This information should not be confused with 'opinions' or 'values'. Sensory aspects of human sensemaking are a mix of subconscious likings, preferences, etc. While opinions and values always have a social background, sensory aspects can also be the result of conditioning in certain physical environments, like the scent of a flower that used to grow in the family garden, that, whenever you catch that scent, generates a 'feeling like home', without you realizing it. Many replies to this type questions may trigger the interviewers to continue with a question that tries to discover the social source of that sensory aspect.
  Example:
  Why do you like plants in your room? (if the reply to this question is that the interviewer has grown up in a home full with plants, the interviewers could ask something like: 'Did your mother like plants?', or 'who in your family took care of those plant?')
- **Background/demographic:** understanding the respondent's education, previous experiences, age, birth region, residence etc. In the Chinese cultural setting, many aspects that fall under this category are regarded as highly influential to a person's sensemaking of the world. This is reflected in the structure of this book, in which a number of chapters has been dedicated to these aspects, e.g. home region.
  Examples:
  Where in China are you from? (the reply will be very factual, but it can be followed by a sensory type of question like: 'What are the typical traits of people from . . .?' Note that this question is meant to trigger the interviewer to get into a subjective, chauvinist, mood. We are not really that interested in the reply itself. Many Chinese interviewees will try to list a number of general positive traits and one or two less positive ones, to show the obligatory modesty. However, some Chinese will try to get around a direct reply, which is an indication that they do not perceive their home region as an important aspect of their sensemaking.)
- **Relational:** all of the above linked to a specific social inclusion. Social relations of entrepreneurs is a core issue in this research. In our comments to the above listed types of questions we already indicated that it is important to extract the interviewees' perceptions and link each perception to a certain social source, a person whose influence on the interviewee in a certain inclusion has given the interviewee this perception. Interviewers can also uncover the multiple ways an interviewee makes sense of a certain issue by linking one way of making sense of that issue to a concrete other actor.
  Example
  How would your partner react to this? (if the reply would be that the partner would have the same opinion as the partner, the interviewers can try to link this to a certain shared inclusion. If the reply is that the partner's reaction would be different from that of the interviewee, the interviewers can try to find out the inclusion of the partner from which his/her opinion in this matter originates.)

Apart from interviews with the entrepreneurs themselves, people in important inclusions of the entrepreneurs can also be interviewed. The resulting information can be used for another essential element of naturalistic inquiry: tertialization. From the entrepreneurs' stories, we can construct their life stories as the see them. The qualitative alternative for the mathematical verification procedures in quantitative research is tertialization, checking primary data against data originating from sources close to the people who are being researched. In terms of the SI model, we can look for key other actors in essential inclusions, and interview them as well. Those interviews will be more specific than life story interviews. They will be more focused on the relationship between the interviewee and the entrepreneur. However, even in those interviews, the researchers should try to extract a broad range of information, using the same types of questions and other interview techniques as introduced in the previous paragraphs.

The researchers will compare those stories with the stories of the entrepreneurs themselves and make an inventory of similarities and discrepancies. Both are significant. In the constructionist paradigm, the similarities and discrepancies both contribute to the insight in the relationship between the interviewee and the entrepreneur. When information provided by such a secondary actor denies certain statements by the entrepreneur, the reaction of a constructionist researcher is not trying to determine who is 'right', but what the source of the difference could be. Differences can usually be attributed to different sets of inclusions.

The third source of information for the triangulation process is a mix of published texts: media reports, websites, company brochures, product information, etc. When the entrepreneur being researched is operating in the furniture business, the China Furniture Industry Association may be a useful source to learn more about the general sensemaking with that industry in China.

The information thus collected can be used to construct the (life) stories, and their substories (life chapters), of the entrepreneurs. These stories are the containers for the shared perception of reality, the symbols, etc., of each group. They define the role of each actor and describe the relationships between the actors (Van Eeten et al. 1996; Czarniawska 1998; Boje 2001). In the SI framework, each social-cognitive group is regarded as having its own story of the case. Such stories only pertain to one particular group and are linked to one particular moment in time (Gergen 1992, p. 220). The groups are then integrated by the multiple inclusions of the actors involved.

As the study of social capital building by Chinese private entrepreneurs is still in its initial stage, we are coping with a relatively high number of variables of potential interest and a large number of sources of data. In such a context, the case study is the most appropriate approach (Yin 2004). The combination of a case study and naturalistic inquiry will generate a framework that can be applied to a larger number of cases in the future and this will gradually lead to the construction of a model of social capital in relation to Chinese private entrepreneurs.

Chapter 3
Chinese Entrepreneurs in Society

The Enterprise in Premodern and Modern China

In the previous chapter we have crafted the most basic definition of 'entrepreneurs' as people who have opted to derive their income not from employments but from their own enterprise. We then want to study the mechanisms that make some people make such a decision. We could probably perform a study like this without spending any time and effort on the nature of enterprises. However, although the topic of our study is Chinese entrepreneurship, we wish to contribute with our findings to the general discussions on entrepreneurship, so we need to start this chapter with a short look at the position of the enterprise in China.

We will not extensively describe the nature and the history of enterprises in pre-PRC China. We will highlight the main topics and how these are discussed by leading researchers, but will refrain from adding to the discussions

Josheph Needam's seminal series 'Science and Civilisation of China' (1954 [Vol. I]–2004 [Vol. VII]), although not specifically focusing on entrepreneurship, does contain valuable insight in how Chinese agriculture and industry from the earliest stages of its civilization. An important goal of Needham was to show that indigenous industries had indeed appeared and developed in China, though in a different way from Europe. Volume V on Chemistry and Chemical technology, e.g., provides a comprehensive historical account of the production and use of coal and its influence on the development of iron processing in China, putting it in the political and economic contexts of the various periods of Chinese history. During the period that is known as the Golden Age in European history, China's level of technological and industrial know how was on par with Europe in most fields and exceeded it on some (Wagner 2008).

In this respect, researchers of pre-modern Chinese industry are still puzzled by what has become known as the Great Divergence, the intriguing question why something like the Industrial Revolution did not appear in China. It was the Industrial Revolution that rapidly made China lag behind Europe and North

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America. This phenomenon has been attributed to a number of reasons, which we will briefly list here, heavily drawing from Pomeranz (1999).

Fuel: Coal

The distribution of coal deposits in Britain and Germany have greatly contributed to the appearance of major industrial regions. This was particularly evident in the metallurgical industries. As pointed out by Needham, China had developed sophisticated technologies to extract and use coal for energy, which in turn benefited the development of iron production. However a later southward population shift resulted in new centers of Chinese industry further away from the major coal deposits. In contrast, coal mines were part of the major emerging industrial zones in countries like England and Germany.

Institutional Environment

Many people believe that Europe had more efficient markets than other region, which possibly contributed to the Great Divergence. Pomeranz rejects this view by showing that China in many respects was closer to the ideal of a market economy than Europe.

Living Standards

Classical economists like Adam Smith argue that high wages in the West stimulated labor-saving technological advancements. According to Pomeranz, there was modest growth of per capita income in China as well and that the Chinese economy was not stagnant. It will therefore not hold as a cause of the Great Divergence. Allen (2009) estimates that family incomes in the Yangtze delta, were substantially higher than England in 1620 and was the equivalent of 19 pence per day in 1820, compared with 20 pence per day in the contemporary English Midlands. However, Allen states that Yangtze delta agricultural labor productivity was static between 1600 and 1800, while English and Dutch productivity caught up with the Chinese.

Legal Environment: Property Rights

Classical economists believe that clearly documented and legally protected property rights are a condition for the development of capitalism. From this point of

view, Chinese merchants and industrialists could not develop and accumulate capital because of the risk of state expropriation and claims from fellow kinsmen, which made property rights very insecure compared to those of Europe. However, others counter that many European merchants were de facto expropriated through defaults on government debt, and that the threat of expropriation by Asian states was not much greater than in Europe. However, Pomeranz argues against this thesis, stating that much of the land market in China was free, with many supposedly hereditary tenants and landlords being frequently removed or forced to sell their land. Although Chinese customary law specified that people within the village were to be offered the land first, Pomeranz states that most of the time the land was offered to more capable outsiders, and argues that China actually had a more free land market than Europe.

The debates are still going and the puzzle is far from being solved.

During the latter days of Imperial China, in particular after a number of Chinese ports were opened to foreign trade after China's defeat in the Opium War (1848), the influence from the global market on Chinese economy started to grow. Cochran (2000) provides an interesting study in the mechanism that steered the activities of foreign companies in China in the early days of foreign investment in that region. Cochran compares the strategic development of a number of Western, Japanese and Chinese companies in China. He proposes a periodization in which the various periods are determined by the tendency to rely on local staff, thus opening up to influence from the networks of those employees, and the opposite propensity to protect oneself from such influences. Changes in strategy were usually linked to political events like war, either with foreign enemies or civil war.

A consequence of the activities of foreign businesses in China was the appearance of a class of indigenous business people and industrialists influenced by the foreign business people in China. One influential group of early Chinese 'Western style' entrepreneurs were the compradors (*maiban*). Compradors were salaried employees, who served in foreign companies in China but also often ran their own firms and thus were usually business entrepreneurs at the same time. They acted as the brokers between Western businesses and the Chinese society and government. As a group and as individuals, they profited greatly from this position (Hao 1970; Murphey 1974).

Due to the turbulent events that marked the history of China in the nineteenth and the first half of the twentieth century, many members of the emerging class of Chinese entrepreneurs took part in the huge diaspora of the compatriots to all parts of the world, in particular to Southeast Asia. The founded influential communities of Chinese business people in all major cities in that region. When Chinese from the same home region emigrated to different parts of the world, they maintained close contact, thus forming the Chinese business networks that are again well covered in academic and popular writings. A seminal study of these networks, linking their operation to traditional Chinese values is that by Redding (1993). Redding describes how Chinese companies in Asia derive their business ideology from Confucianism, Taoism and Buddhism. Another major issue in Redding's study is the central position of the family business in Chinese business communities. Family

members have always been the most trusted people in Chinese society and this is further reinforced by living in a foreign environment. This phenomenon has attracted much attention in academic studies and 'Chinese family business' seems to be treated as a separate category of enterprise in many publications (Whitley 1992; Redding 1993; Chen 1995; Gomez 1999; Chan 2000; Gomez and Hsiao 2001; Yeung 2006).

Family membership is obviously an important aspect of the social capital of any person. We will encounter the influence form the families of entrepreneurs in many, if not all, cased described in this study. However, as we are wary of categorizations that can easily become obstacles, rather than access, to deeper insight (see the previous chapter), we are not ready to accept the concept of The Chinese Family Business as the typical Chinese type of enterprise. We will, however, revert to the influence of the family to entrepreneurship in the concluding chapter of this study.

The Enterprise in the PRC

Danwei *the Basic 'Unit' of Socialist Society*

Danwei is a term that originates from the military as the Chinese equivalent of the English concept of unit. The Communist Party of China and the People's Liberation Army, although theoretically separate entities, have always been extremely closely organized. During the revolutionary years in which the Communists gradually expanded their territory they established 'revolutionary bases'. Those bases were governed by local military leaders and all social organizations like farms, schools, enterprises, etc., were referred to as units (*danwei*). Each citizen of a revolutionary based belonged to a certain unit (Dutton 1998, p. 53). This unit provided a salary, housing, food and clothing, etc.

After the establishment of the People's Republic of China the unit system was adopted and developed as the basic form of (re)organizing society. The unit was a centre of power or right. It had 'the right to engage in propaganda, make regulations, perform administration, engage in economic activities, etc.' (Zhou and Yang 2000, p. 3). It was also regarded as a means to protect the system of public ownership. The constitution of the People's Republic of China guaranteed public ownership as the highest form of ownership and the *danwei* was the basic social unit to manage (*guanli* (Zhou and Yang 2000, p. 3)) people employed within the system of public ownership.

Young people leaving the educational system were not required to go out looking for a job themselves. A position would be assigned to them by special government run labor offices. As unemployment was regarded as incompatible with socialism, all youngsters leaving middle school or some form of tertiary education were assigned to a work unit. Sometimes a unit needed extra staff, but often units would be allocated new staff, even though it had no vacancies at that particular

moment. On the other hand, young people entering the labor system would not necessarily be allocated a job in congruence with their education. The public need was supposed to be more important than private needs and wishes. For the same reasons, you would not necessarily be assigned to a unit in your own home region. Once assigned to a certain unit, it was extremely difficult to move on to another one. Most switches of unit were decided by officials of the government organization supervising you unit. Such switches were again made for public needs, rather than based on application by the employee involved.

In the early years following 1949, the unit system was mainly regarded as pertaining to the urban population and to distinguish it from the rural population that mainly consisted of independent farmers (Zhou and Yang 2000, p. 3). This aspect of the initial stage of the unit system casts a new light on the gradual attempts to collectivize the Chinese countryside, starting with the establishment of 'mutual help groups' in the mid 1950s, to the People' Communes some years later. From the angle of political administration, we could reformulate this development as an attempt to bring the Chinese farmers, the vast majority of the Chinese population, into the unit system. If successful, every Chinese citizen would have belonged to a unit.

In the basic unit system there was no fundamental difference between commercial enterprises and government organizations. In political parlance, some distinctions were made between, e.g., such as:

- Non-productive units or government agencies (*zhengfu danwei*); ministries, police, etc.;
- Non-profit productive units (*shiye danwei*); electricity companies, educational organizations, etc.;
- Profit generating productive units or enterprises (*qiye danwei*).

However, people working for a ministry, a primary school or a state owned steel factory all had the same relation with their unit. It housed them, fed them, gave them permission to marry and, consecutively, a window to produce a baby, picked up their medical bills, etc.

Although the unit system has been affected by the numerous political and economic upheavals in the short history of the PRC, its basic system is still intact. As this is not a study of the nature and history of the unit system, we will restrict the remainder of this chapter to the enterprises (*qiye danwei* or shortly: *qiye*). We will first take a look at the 'traditional' socialist Chinese typology of enterprises and then continue with more recent types. For each type in each period, We will dwell on the particularities of that type of enterprise as a *danwei*.

Enterprises: The Early Typology

In the early years of socialist China, three main types of enterprises were distinguished, based on the form of ownership:

- State operated enterprises (*guoying qiye*), also referred to as enterprises 'owned by the entire people;'
- Collective enterprises (*jiti qiye*); this term is slightly misleading as it is not completely comparable with collective enterprises as those in the former Yugoslavia. The term refers to enterprises owned by lower level governments;
- Private enterprises (*siying qiye*); these were privately owned enterprises established before the proclamation of the PRC.

The unit status of the private enterprises is unclear. According the definitions provided by Zhou and Yang's seminal study (seminal in the sense that it is the first comprehensive study of the history, nature, flaws, etc., of the unit system ever published in China) cited above, the private enterprises already existing during the establishment of the PRC should not be regarded as *danwei*, as they were not part of the public ownership system. However, the central government soon launched a campaign to merge the private enterprises in the unit system by establishing a system of 'public-private joint operation (*gongsi heying*),' followed by a complete take over by the State. By the time that the collectivization of the agricultural production started, the old private enterprises were virtually all nationalized. Only a number of family run enterprises, mainly handicraft, remained in the countryside.

The main difference between the state operated enterprises and all other types was that the former were able to offer complete social security from cradle-to-grave (Lu and Perry 1997). Once you were assigned to such an enterprise, housing, medical care and an old age free of financial problems would be more or less secured. State enterprises would build apartment blocks for their employees, which would be distributed according to seniority, marital status, etc. They would sign collective contracts with a hospital which would then be the designated hospital providing health care to its employees.

Collective enterprises lacked the means for such a generous treatment of their employees. Their primary function was to provide employment. As stated above, unemployment was considered incompatible with the socialist system. Low level governments, which could go as low as neighborhood committees in the urban areas, would establish small factories or mere workshops to manufacture products or offer services needed in the daily lives of local people. They thus served a dual purpose: they provided a unit for people who would otherwise fall outside the system and they fulfilled some of the daily needs of the local population. The government organization that was in charge of the enterprise would be considered responsible for the needs of its employees, but would regularly rely on other administrative organizations to provide for, e.g., housing, which was a scarce good in China until recent years.

The few privately employed people, as well as young people who were not yet assigned jobs (the so called 'youth waiting for work' (*daiye qingnian*), another euphemism to avoid the word 'unemployed'), were attached to the lowest level administrative organization, usually the neighborhood committee, which was then considered their unit.

Contexts of the Early Industrial Units

In this section, we will look further into the organizational contexts in which enterprises in this period were operating. The task in this, still introductory, chapter will be make an inventory of the main types of contexts. We will not go into the identity construction process in those contexts. That will be the subject matter of the remainder of this study.

Even though we have referred to the early unit system as rather 'simple,' when we start making an inventory of the various contexts in which enterprises, in particular state enterprises, were interacting, we meet with surprising complexity. The complexity itself should not be surprising, as complexity is an essential trait of human organizing. The surprising aspect of the organizational properties of the early PRC enterprises is that the nature of the contexts is often strikingly different from those that we are familiar with in Europe.

An important type of context, that still persists today, is the industrial sector. Chinese economy is divided in a number of industries, headed by a central ministry or organization with ministerial status in Beijing. Each province and autonomous region has a Department (*ting*) corresponding with the central organization. Lower administrative regions have, again corresponding, Bureaus (*ju*). According to the official parlance, a state enterprise is the property of the entire people, but the central administrative organization of its industrial sector has been given the power to manage the enterprise in the name of the people. The central organization will then delegate that power to its corresponding lower level organization (also see: Steinfeld 1998, p. 48–49). An example will help clarify the situation: paint manufacturing is regarded as Chemical Industry in China. A state paint factory located in Suzhou, Jiangsu province, will therefore be typically managed by the municipal Chemical Industry Bureau, which will report to the provincial Chemical Industry Department, which operates under the Ministry of Chemical Industry in Beijing. As already mentioned in section "Legal Environment: Property Rights", the main locus of control for our paint factory could be placed at different administrative levels according to its importance in the sector. This would be reflected in the enterprise's official name, as hung besides the main entrance. If the official name is Suzhou Paint Factory, its main locus of control is in the municipal Chemical Industry Bureau. In case it would be managed at the provincial, the official name would more likely be: Jiangsu Suzhou Paint Factory or Jiangsu Paint Factory.

If the same administrative level would operate more than one enterprise in the same business, they would be distinguished with numbers. The number would indicate the relative importance of that enterprise within its home region. For example, if our paint factory was called Suzhou Nr. 2 Paint Factory, we may conclude that it was managed at city level and that it was the second important paint factory in that city. The top manufacturer in the city would be designated with 'Nr. 1,' 'General,' or without any indication of rank.

Which types of paint would be produced and in what quantities would be stipulated by the Chemical Industry authorities according to a national plan. Each individual enterprise would be given a production plan each year. The enterprise would be required to fulfill the plan and only that. It could happen that a certain factory was unable to fulfill it completely. However, it happened more frequently that an enterprise had accomplished its quota before the end of the year, at which moment it would switch off the machines and send the workers home, until the new quota would come in.

Another type of contexts relevant for the operation of enterprises in the early unit system was that of managerial function. An area strongly affected by this was personnel management (Zhou and Yang 2000, p. 40 ff.). As pointed out above, providing employment was one of the central functions of a unit. The most fundamental though of social organization (and social control) in the initial stage of the PRC was that ideally each Chinese citizen would belong to a unit. That unit would then manage all aspects of the citizen's life, for as long as the that life would last. Employment related matters were therefore referred to as 'people matter' (*renshi*), controlled to a central ministry of its own: the Ministry of Personnel (*Renshibu*). This ministry had its corresponding organizations in various lower levels of the administrative system as introduced above. Returning to our example paint factory in Suzhou, the person heading its Personnel Department would not only be responsible to the management of the enterprise, but also to the municipal Personnel Bureau. The latter would regularly relay directives from the Ministry to the personnel officers in organizations in its home region and those personnel officers would be obliged to follow them up as strictly as possible.

This created a potential source of conflicts between the personnel policy of the enterprise and that of the government. In case of such a conflict, the government policy would usually prevail over that of leadership of an organization. The degree of influence of these government agencies on the day to day management of a Chinese enterprise is reflected by the term that is regularly used to refer to those agencies in everyday speech: mothers-in-law (*popo*). The relation between a married women and her mother-in-law has always been fraught with conflicts in Chinese society. Apparently Chinese enterprises, in particular the state enterprises, felt like the daughters-in-law of their supervising government agency.

Another sector that directly affect the operation of enterprises was Internal Trade, which was responsible for the distribution of goods in China. Analogous to the planned production of goods, the distribution of those goods via a system of wholesale companies to the retail outlets was also centrally planned. The ministry responsible for this aspect of the economy at that time was the Ministry of Internal Trade (*Neimaobu*). After our paint producer had produced tin after tin of paint, the goods would be stored in the warehouse. The factory itself would not engage in sales and marketing activities, as the destination of its products was part of an overall distribution plan. The Internal Trade system would pick the paint up and send them to various wholesale companies and retail outlets, e.g. for construction materials. Our paint factory would have a Sales Department, but it would not consist of adroit sales people set to fulfill their sales targets, but of clerks filling

in forms of what goods have left the factory in what quantities at what date. In case some readers may think we had forgotten about price negotiations: prices were fixed by the state as well; no negotiation was needed. The head of the Sales Department, like his colleague in the Personnel Department, was responsible to the local Internal Trade Bureau as well as the enterprise management and in case of conflicts, the government's interest would have priority to that of the enterprise.

Yet another external organization that greatly affected the operation of an enterprise was the Communist Party (we will refer to the Communist part as the Party in the remainder of this text). As the voice of the lowest classes 'the Party was in charge of everything.' Apart from its own organization, each unit had a 'party organization' of its own. This term became so common, that the word 'organization' (*zuzhi*) began to be used a referring to the Party organization. The Party members in our paint factory would constitute its Party organization, headed by the Party Secretary. The main task of the Party organization was to make sure that the enterprise's behavior would comply with the policy of the Party in all respects. The Party Secretary would be an employee of the factory, but his work for the Party would be a full time job. As we saw before for the production and distribution of goods and the personnel management, the Party Secretary would be responsible to the local Party organization. In this respect, the Party Secretary was even more detached from the enterprise, as he was not responsible to top management of the enterprise. In order to avoid the easily imaginable conflicts between the Party Secretary and the CEO, in most enterprises the CEO simultaneously fulfilled (and still fulfils) the position of Party Secretary.

Organizations comparable to, though less influential than, the Party were:

- The *Communist Youth League*; an incubator for Party members;
- The *All China Women's Federation*; aimed to protect the rights of women in a traditionally male oriented society;
- The *Labor Union*; more in charge of workers' welfare than fighting for their interest (striking was and is forbidden in China);
- *Public Security*, the Chinese Police; units have a task in maintaining public order and assist Public Security personnel in solving crimes. Our factory's Security Department would have regular contacts with the local Public Security Office. (for more on this type of organizations and their relation to enterprises see: Tang and Ward 2003, p. 102; Beamish and Speiss 1999, p. 174).

Apart from its specific 'mother organization,' the general municipal government also constituted a context for our paint factory and as Suzhou municipality fell under Jiangsu province, the province was yet another context. The influence of each of these contexts would depend on the importance of the enterprise, and would be visible from its official name as indicated earlier in this section.

We have so far introduced some of the more important formal contexts. However, the number of informal ones is probably still larger. Suppose that the CEO (probably also the Party Secretary) of our paint factory would be a brother of the mayor of Suzhou. This would be a potentially influential configuration in any

culture, but certainly in the Chinese context, where using the power that comes with the job for private purposes is common practice.

As the number of such informal contexts is theoretically infinite, we will refrain from bringing up more examples in this section. The actual cases in the remaining chapters of this study will provide ample examples. Before turning to the case studies, we first need to the current situation.

The Post-reform Situation

Chinese enterprises have undergone numerous, at times quite radical, changes since the start of the economic reforms around 1980. As we do not intend to write a history of the Chinese enterprise, but a study on Chinese corporate identity construction in current times, this section will explain the changes in the types of enterprises introduced in 2.3 above and the major new types that have been developed during recent years, without paying attention to their historical order of appearance.

State Owned Enterprises

The state owned enterprises, still the backbone of the Chinese economy, are presently theoretically detached from their supervising administrative organization. In current parlance, the State owns the enterprise, but does no longer participate in its management. From the description in Chapter 2 it should be obvious that it is easier for the central government to proclaim such a policy than to implement in practice. A more suitable formulation of the official phraseology in view of the current practice would be that state owned enterprises are currently engaged in a process of acquiring full independence in management form government agencies. The fact that the word mother-in-law is still used when referring to those supervising agencies is noteworthy in this respect.

The process of the State taking its hands off the daily management of state enterprises even created a new type of 'mother-in-law,' in the form of asset-management companies. These can purchase bad debts of selected enterprises from the banks and in exchange receive shares in the firms responsible for the debts (Tang and Ward 2003, p. 46–48). Apart from the financial complications created by this, still rather new, development the new asset-management companies have a potential of evolving into a new type of mother-in-law in the Chinese cultural context. We will investigate this problem later in this study.

Another type of relation that has changed dramatically is that between the (state) enterprises and their banks. In the old command economy, the enterprises would hand over their profits to the State in return for an annual allowance based on the budgeted needs for the next year period. At present, the enterprises pay corporate

income tax to the tax authorities and retain the remainder of the profits. Again in theory, they are responsible for their own profit and loss. In case an enterprise is not able to finance a certain investment by itself, it will have to take a loan from a bank. This will make banks influential parties in the operating of enterprises, as they are elsewhere in the world. However, as most of the banks are still state owned enterprises themselves, being the debtor of a certain bank may put a Chinese enterprise in a daughter-in-law type of position in, once more, the Chinese cultural context.

On paper, the central government intends to gradually rid itself of most state owned enterprises. The plan is to retain about 1,000 major corporations and sell the remaining ones. However, it will take considerable time to realize such a plan, because the employees of state owned companies will fear for losing their traditional benefits.

Collective Enterprises

The old collective enterprises, enterprises set up by low level administrative organizations, continue to exist. Some of them have been able to use the opportunities offered by the new situation to develop into major enterprises. Especially the appearance of the limited company has offered interesting prospects for collective enterprises with a vision. One option collective enterprises have for growth is to form strategic alliances with larger state owned enterprises. In case studies in the remainder of this study will show that this can lead to interesting multiple corporate identities.

A special, and frequently studied, sub-type of collective enterprises are the Town and Village Enterprises (TVE; *xiangzhen qiye*). This is an umbrella term of broad range of enterprises established in China's rural areas. Some of them are the descendants of enterprises set up by the old communes, that were abolished in 1984, while others are established by local governments. The impact of TVEs on the national economy has experienced a dramatic growth. An important factor behind this success is the relative freedom they enjoy in enterprise management. Quite a number of TVEs are known to violate intellectual property rights and virtually all of them engage in creative bookkeeping in order to pay as little tax as possible. While this is common knowledge in China (it is reported in published studies on TVEs (a seminal study is still: Wong et al. 1995)), the authorities so far seem to be in no hurry to deal with these phenomena. The main reason for this inertia is that TVEs have been and still are the driving force behind the increase of the standard of living on the Chinese countryside. Because they provide jobs (or: units) for surplus labor in the countryside, TVEs are considered a pillar for social stability and maintaining social stability is the primary objective of the current Chinese government. TVEs will be investigated in a separate chapter in this study.

Private Enterprises

The number of private enterprises and their impact on the Chinese economy has increased as well during the past decade and a half. However, their status is experienced fluctuations related to similar fluctuations in the national policy with regard to private enterprises. Most of the time, private enterprises are said to have a place of their own, but every now and then voices are heard that their influence on the total Chinese economy should be limited, as too large a share of the private sector in the national economy would change its socialist nature. One way of dealing with the ever imminent danger of obstruction from various government agencies is to attach a private enterprise to such an agency. While actually operating as a private enterprise, such companies are then legally regarded as collective enterprises and enjoy protection from the government agency for a fee. This practice is known in China as donning a 'red cap' (*hong maozi*). The percentage of this type of hidden private enterprises among the collective enterprises can be quite large, varying from an average of one third in small towns to more than half in some rural areas. The motivation these private entrepreneurs give for their eagerness to buy a collective status can be narrowed down to three categories:

1. They prefer to belong to a 'mother-in-law;'
2. Collective enterprises have a better average reputation than private ones;
3. Some regional governments prohibit access to certain industries to private enterprise. (Huang 1996, p. 103–111)

It is interesting to observe that, while the state owned enterprises are struggling to rid themselves of their mothers-in-law, these private entrepreneurs are actively seeking one, for protection. In terms of our theoretical framework, we could conclude that the mother-in-law function of government agencies in China is re-constructed by this practice. Being 'in charge' of enterprises is apparently a very basic element of the identity of such government organizations. Now that their old daughters-in-law are running away from home through the front door, new ones are knocking on the back door. This newly constructed mother/daughter-in-law relation is different from that of the old days, but similar enough to continue basic administrative structure. We will leave this, highly interesting, topic for what it is in this introductory section and revert to it further in this study.

Private enterprises are still relatively small. This can be partly explained by the fact that they are still relatively controversial and small companies are easier to hide than large ones. Another impediment in the development of private enterprises in China is that the bulk of them are family enterprises. A typical procedure is that a man establishes a company and from the start, or once it has developed to a certain extent, also takes on his wife as an employee. Brothers and sisters and even parents are next in line. Children leaving the educational system are also common candidates. Family enterprises are conflict prone in two respects. In spite of the fact that the family plays such a pivotal role in Chinese culture, quarrels among relatives are as common in China as anywhere else. A conflict with a business

partner is much more complicated when that person is simultaneously your relative (Redding 1993, p. 143–182).

Family relations also frequently complicate other types of enterprises, in particular the People Operated Enterprises. If the researcher turned entrepreneur in the example we introduced above would appoint his wife as the accountant of the company, the two of them would constitute a powerful configuration with the company. While this does not necessarily have to lead to conflicts, it will often do so, once again in a Chinese context.

Groups/Conglomerates

Another new type of enterprise in China is the group (*jituan*). From a legal point of view, the Group is not a legal person. It is a conglomerate of companies with one enterprise, usually a larger, more successful, one as the core enterprise (*hexin qiye*). A number of other companies form the same or related industries can form a group around such a core enterprise. The other companies remain independent legal persons, but voluntarily give the core company the authority to interfere in their management. The core company will receive a management fee from the other group members. Group members are often divided into close members and loose members, according to the degree of involvement of the core company in their management (Keister 2000, p. 81 ff.). The establishment of groups is sometimes a voluntary act, but more often a policy decision by local governments as a means to save small underperforming enterprises by linking them to a profitable one. Core companies are often state owned enterprises, while many of the other members are collective ones.

The reason for the appearance of the group company in China is the large number of small enterprises in the same industry. This tendency to set up a large number of small plants rather than making use of the economy of scale, as is the practice in most other regions in the world, often astonishes foreign companies during the first stage of their entry into the Chinese market. As this theme is important for the understanding of Chinese corporate identity construction, we will spend some space here to the various mechanisms that have led to the highly dispersed character of so many Chinese industries.

The first mechanism is Chinese federalism. Although the Chinese are known for their strong national feelings, China should be regarded as a de facto federal state. The main geographic regions, consisting of provinces, autonomous regions and four independent municipal areas, act economically (and culturally, politically, etc.) as if they were states in fashion partly comparable to that of the USA. One consequence of this self-perception of the regions is that all of them would like to produce everything within their own borders. For some products this is physically impossible, because the climate is unsuitable, no raw materials are available, etc., however this propensity for regional independence is so strong, that some province are

willing to support importing raw materials from far away regions to establish at least one manufacturer of a certain product in the home region.

The second mechanism is that of copying what others (seem to) do well. Copying is an inherent part of Far Eastern culture in general and of Chinese culture in particular. When a company is reported to be successful by producing and marketing a certain product, it is a matter of time before more companies in its vicinity will start manufacturing the same product. Sometimes even special enterprises are established for this purpose.

The third mechanism is a preference for small scale in Chinese culture. Traditional Chinese culture advocates harmony and one of the ways to create and maintain harmony is preventing to be too much better, larger, etc., than others. Chinese politics through the ages has been affected by this. Who was rich was obliged to share his riches with his community, either through taxes or through good deeds like funding a local school. Consequently, it was better to hide some of your riches, to avoid being called upon for money too often. In more modern times, this practice was continued towards larger enterprises. Such a company was (and is) often regarded as money machine and are also regularly requested to give financial support for various good deeds. One way to cover up some of the apparent wealth within a company is to establish another company as a means to grow, instead of expanding the existing company. A large company in a city can, for example, set up a smaller plant in a suburban town producing the same product. Although they are separate legal persons, from an organizational point of view, the two plants can be regarded as one company. In practice, certainly in the context of a desk study, it will be hard to impossible to determine whether different plants belong to the same company or not, but is important to understand this principle.

The fourth mechanism is more practical: tax. Chinese enterprises can be divided into different groups according to ownership. The type of ownership is indicated for most of the enterprises in our list. State owned enterprises are large enterprises officially owned by the entire Chinese people, whose management is performed by an appropriate local government organization. Collective enterprises are set up and management by low level governments. Private enterprises are owned by natural persons. Joint stock enterprises are a new type of legal person owned by a number of legal and/or natural persons. Finally, foreign funded enterprises are (partly) owned by foreign legal or natural persons. The income tax differs for all these types of enterprises. State owned enterprises pay 55% income tax, while collective enterprises only pay 20%. The other types pay about 30–35%. This is almost an invitation for state owned enterprises to set up a small company somewhere disguised as a collective enterprise run by the local government. Again, it will be hard to impossible to determine this is the case in a certain concrete situation, but is important to know the principle. In some locations we can see a state owned enterprise and a foreign funded enterprise. In that case the latter has probably been set up in co-operation with the state owned enterprise. It will be interesting to see how recent changes in the Chinese taxation system will this practice.

The fifth mechanism is the rigid division of the Chinese economy in sectors. From the establishment of the People's Republic of China, the society has been

divided over a number of sectors like: Light Industry, Education, Agricultural, Metallurgy, Aviation, etc. These sectors are headed by central ministries or organizations on the same level as a ministry, situated in Beijing. However, the link between a certain industry and a certain hierarchical sector is not strictly implemented. The food industry is good example. Food is primarily a matter of Light Industry, but some food manufacturers operate in the hierarchies of Agriculture and Internal Trade. Large state farms (= Agriculture) can set up factories, which then automatically are part of the Agriculture hierarchy. A typical food sector with strong links to Internal Trade is cereal processing. Cereal products, unprocessed like rice or processed like flour, used to be distributed using a coupon system. As the distribution of goods was the typical task of Internal Trade, cereal processing also became the business of this sector. Even after the abolishment of the coupon system in the early years of the economic reforms, a large number of cereal processing companies (including animal feed) remained linked to the Internal Trade organization of their local government. This can lead to interesting differences in identity construction.

Group companies influence the environment in which Chinese private entrepreneurs have to operate. Occasionally, a local government concludes that the number of companies in the same line of business in its home region is too large. It can then decree that some of these (typically those directly under its control) to form a conglomerate. In this way, the individual plans will remain in operation, thus not harming local employment, but the local industry will look more 'orderly' (*zhengqi*) from the outside. However, for a small enterprise in that sector, such a move will create a huge competitor. For one of the entrepreneurs in this study such a development in its local market has been the main force behind the decline of his operation.

However, this Chinese type of legal person can also be used to the benefit of small enterprises in a region. Entrepreneurs in the same business and region can decide to form such group themselves, often taking the company name of the largest, most respected, among them as the Group name. This will allow them to defend their common interests using the Group identity, while still continuing their daily operation as individual enterprises. This strategy is especially popular in Zhejiang, where entire villages are specialized in producing neckties, buttons, socks, etc. Recently, several of such family bases companies have formed groups consisting of private enterprises owned by members of the same family and/or good friends (Zhu 2003).

Limited Companies

Another development that should have a major effect on the identities of a Chinese enterprise (state owned and others) is the appearance of limited companies. Legal and natural persons can buy shares in a limited company, or contribute capital to the establishment of a new one, thus becoming stakeholders of that company. Enterprises

of all ownership types can be reorganized into limited companies. A major incentive for Chinese enterprises to make such a step is that it is a necessary step on the route to a listing on one of the country's two stock exchanges (Shanghai and Shenzhen).

The appearance of the limited company as legal type of enterprise has given rise the birth of a variety of enterprises with mixed ownership (Tang and Ward 2003, p. 132 ff.). For example, a researcher employed by a research institute (in terms of unit: a non-profit productive unit (*shiye danwei*)) has made an invention he believes to be a potential money maker. However the institute is not equipped to develop the invention into a product, let alone produce and market it. The institute could theoretically craft a marketing plan and apply for a bank loan, but does not perceive itself as a future manufacturing company. The researcher can than make a deal with his employer and a number of other legal (including the local government) and natural persons (colleagues, relatives, friends) to accumulate the capital necessary for establishing a company around his invention. Hundreds of companies have already been established in this way in recently years. Quite a number of them fail, but some of them have already developed into major corporations. Especially in the realm of high tech markets this process has created a number of successes (Tang and Ward 2003, p. 137). The Chinese term for these companies with mixed ownership structure is 'People Operated' (*minying*).

Most newly established enterprises in China are limited companies. The bulk of the smaller state owned enterprises are sold to private or legal persons, or a combination both, changing their legal status to limited company as well. This type can therefore be expected to develop into the main type of enterprise in the medium long term. Especially for State owned enterprises, the transformation into a limited company provides the possibility to decrease the ownership of the State to less than 100%. On one hand such a development would reduce the state's influence on the operations of the enterprise, but on the other would also decrease the responsibility of the respective State organization (mother-in-law) for ill managed enterprises. The establishment of limited companies allows the State can now retain a 100% stake in selected key enterprises and discard some or all of its stake in others.

Foreign Invested Enterprises

The appearance of enterprises wholly or partly owned by foreign investors may very well be the most significant development of the economic reforms. Foreign investment had been virtually banned in China since the establishment of the PRC, but the first Chinese leaders after the end of the Cultural Revolution period (1976) were faced with what they perceived as an immense technology gap between China and the developed countries. Even if the fledgling education system would be shaped up within reasonable time, the total time needed to bridge that technology gap was beyond estimation. The Chinese government decided to speed up the development by allowing foreign enterprises to team up with Chinese counterparts and form joint ventures. The rules for such joint ventures were laid down in a law promulgated in 1979. The event became known in Chinese parlance as Reform and

Opening (*gaige kaifang*). This term was given almost as much political importance as the establishment of the PRC. The latter is known as Liberation (*jiefang*) and people speak of events 'before' and 'after' Liberation. In a similar fashion, Chinese speak of the situation 'before' and 'after' Reform and Opening.

For this study we will refrain from an extensive historic treatment of foreign investment in China. Useful texts concerning the development and problems in this respect are: Beamish and Speiss (1999), Han and Xu (1997), Xing (1998), Yan (2000) and Peverelli (2000). Here we are primarily concerned with the various modes of participation in Chinese enterprises currently available to foreign investors. Such modes are:

- *Joint ventures*; foreign companies can link up with Chinese counterparts to form joint ventures in much the same way as elsewhere in the world. The Chinese law distinguishes equity joint ventures, in which the partners invest a certain share of the capital, with a minimum foreign investment of 25% and co-operative joint ventures in which the partners simply agree to cooperage in certain business with fewer restrictions on the terms;
- *Wholly owned companies*; 100% owned by the foreign investor(s), without Chinese participation.

Foreign invested enterprises will become more interesting for the leading topic of this study, when private non-Chinese citizens will start engaging in entrepreneurial activities on a level playing field with their Chinese competitors. Private foreign investment is taking place in China, but most of this is on a scale beyond the entrepreneurship that is the focus of this study. Even the few small private enterprises in China, like ice cream parlors, bars, restaurants, etc., are operating in an environment that is quite different from that in of most of the entrepreneurs who will be introduced in the following chapters. Such foreign individuals basically need to go through a similar number of 'official' procedures as major multinationals, which makes it virtually impossible to operate in the grey regions in society that we will show play such an important role in Chinese entrepreneurship.

Growing Influence in Society

The place of private entrepreneurs is Chinese society is a currently much debated topic (Chen et al. 2006; Yang 2007, p. 203; Tian et al. 2008). The rapid changes in the Chinese political-economic environment of the past decades have greatly affected the position of the enterprise and the entrepreneur in Chinese society.

Private entrepreneurship was gradually revived after the economic reforms of the late 1970s, but their emancipation proved to be a long road, and the political status of entrepreneurs remains an issue of continuous political debate among Chinese policy makers (Parris 1999, p. 271; Liao et al. 2001, p. 28; Chen et al. 2006; Yang 2007, p. 203; Tian et al. 2008).

Involvement of private entrepreneurs in politics as deputies to National People's Congress and members of national committee of Chinese People's Political Consultative Conference

2005	China rich list of Rupert Hoogewerf	9	16	25
2006	China rich list of Rupert Hoogewerf	19	19	38
2007	China rich list of Rupert Hoogewerf	38	41	79
2008	China rich list of Rupert Hoogewerf	83	68	151
2009	China rich list of Rupert Hoogewerf	76	71	147
2010	China rich list of Rupert Hoogewerf	83	80	163
2011	China rich list of Rupert Hoogewerf	75	72	147

We can see from this table that the involvement of private entrepreneurs in politics increases steadily until 2008. That year saw a significant increase, actually almost a doubling of the number of deputies. However, this number then becomes rather volatile, going down in 2009, to increase again in 2010, etc. It is as if there is a tacit mechanism in the system that allows participation of entrepreneurs to rise to a certain ceiling (Hurun 2011).

The latest development in this respect is the news that China's alleged richest man, Mr Liang Wengen, is considered as a candidate of the Central Committee of the Communist Party. Liang, 55, is chairman and founder of Sany Group, China's largest heavy machinery company. Both Forbes and Hurun China Rich List rank him on top of their 2011 rich list, estimating his wealth at $9.3 billion and $10.7 billion, respectively. The Central Committee usually convenes four times a year to discuss and approve major government policies. Liang is said to have sought Party membership a number of times, before he got admitted in 2004. If Liang will actually get this position, it should be considered a major boost of the position of private entrepreneurs in Chinese society (CNN 2011).

In the 1990s governments of various levels were forced to sever the management relationship with their enterprises. Governments retained the ownership, but the day-to-day management responsibilities were, at least on paper, given in the hands of the professional managers. However, current research indicates that in practice present day Chinese enterprises still need to work in close coordination with various local governmental agencies, often referred to as *popo* (mothers-in-law) in Chinese, to indicate the level of meddling, exercising control over parts of the enterprise (Steinfeld 1998, p. 57 ff.; Forrester and Porter 1999; Tang and Ward 2003, p. 49; Peverelli 2005, p. 42 ff.; Peverelli 2006, pp. 76–77).

China's recent economic history has shown a continuous tension between the rule-breaking nature so typical of entrepreneurs and the struggle for continuation of the established economic institutions. While such a tension is present in all economies that undergo a period of rapid change, it is much stronger in China, where the economic institutions are so strongly linked to the political establishment. As can be readily observed anywhere in China, entrepreneurship is obviously progressing. There is no need for academic research to corroborate this development. What is intriguing is how Chinese entrepreneurs interact with the economic

and political environment and how the economic and administrative institutions are being affected by the growth of entrepreneurship. On one hand, the mothers-in-law will not easily give away (part of) their institutionalized authority, but on the other, their growing economic power will enable the entrepreneurs to command more influence in the legislation at various levels.

An important study addressing this issue is Yang (2007). Yang sees two possible explanations for the robust growth of entrepreneurship in China in spite of the enormous weight of China's existing institutions. The first is that 'China's institutions actually and surprisingly promote entrepreneurship' and the second 'that entrepreneurs have somehow bypassed the resistance built into China's political and economic institutions' (op.cit., p.3). Yang favors the latter explanation. He regards entrepreneurship as 'an active translation rather than a loyal reflection of institutional demands' (op.cit., p.4). Sudden changes in the regulatory environment can put businesses, especially small private enterprises in a difficult position. Small entrepreneurs therefore need to have or develop a skill to react to such changes in an agile manner, at least to keep their business afloat, and perhaps even turning the change into an opportunity.

A core element of Yang's understanding of Chinese entrepreneurship is that the Chinese state nor the entrepreneurs express an interest in a dialogue to negotiate the optimum institutional rules, but rather explore how they can make the best from ambiguous rules and policies (op.cit., p.4). Yang further argues that a distinctive feature of Chinese government is that the rule of policy often precedes the rule of law. The current Chinese political system is built on experience in the turbulent environment of the war with Japan followed by the civil war that led to the establishment of the People's Republic of China in 1949. This has created a political practice in which it is lawmakers perceive a need to be able to quickly deal with suddenly emerging situations (op.cit., p.72).

We basically agree with Yang's historical explanation. However, we would like to add that the Chinese preference for policies over laws is also a consequence of the particularist nature of Chinese culture. The dimension of Universalism – Particularism is part of Trompenaars' model to determine national cultures (Trompenaars 1992). Universalist people tend to regard all that happens as proceeding according to fixed rules and laws, while nations on the particularist end of the dimension have a propensity to perceive every event as unique in itself. Universalists are aware of particular aspects of individual events, and particularists also know that many things happen in more or less the same way over and again. The difference between the two extremes is the point of departure. Different cultures end up on different points of the dimension. Chinese culture in this respect is located rather close to the particularist end of the scale. This also explains why Chinese tend to prefer policies to laws.

Another of Trompenaars' dimensions is Individualist – Collectivist. These terms are self-explanatory. Chinese culture ends up near the collectivist end of the scale. This combination of strong particularism and collectivism results in a culture in which reality is constructed anew during each instance of social interaction. When we apply that insight to the policy – law argument raised by Yang, policies at

various levels of government in China are crafted during the interaction between policy makers and the various parties affected by that policy. This means that Chinese policies affecting the day-to-day operation of enterprises in China will also involve interaction with entrepreneurs. We believe this is an important aspect that is not sufficiently addressed by Yang's formulation of the relationship between entrepreneurs and the government in China.

This brings us to the research gap to be bridged by the proposed research. Existing research shows that the influence of entrepreneurs on Chinese government policy is increasing, but so far has not satisfactory revealed how this influence is taking place. Yang's seminal work has provided us with a broad framework that gives a general understanding of the growing political influence of Chinese entrepreneurs, but his results leave most of the detailed problems still open, where details refer to the level of individual interaction between the entrepreneurs and representatives of various government agencies. What are the occasions at which Chinese entrepreneurs and policy makers interact? When do they interact; for what purpose; at what location? Is it the entrepreneur who usually initiates the interaction, the government representative? How do both parties cope with differences of opinion; do entrepreneurs usually adapt to the policy makers or vice versa?

Furthermore, the growing influence of Chinese entrepreneurs in society does not stop at the political level. Through their growing numbers alone, their influence on local and even national economy is rising as well. Entrepreneurship is especially growing in importance in the Chinese academic world. The entrepreneurs featuring in many of the cases used in this study have an academic background, some were even still studying while they established their company. In present day China, it is hard to find non-entrepreneurs who do count a number of entrepreneurs among their relatives or close friends. While this is not a notable condition for most Western readers, it is still relatively new in China, and this development has taken place in a considerably shorter time in China than in most other regions of the world. Moreover, this rapid social penetration of entrepreneurship took place in a political setting that had, and to a certain extent still has not, completely accepted private entrepreneurship as something that should be tolerated, let alone facilitated. This latter aspect is present in all instances of social interaction between Chinese entrepreneurs and other actors belonging to any part of society.

The research method as proposed in the previous chapter, based on the Social Integration model, offers a framework that allows researchers to address these questions. Researchers can carefully observe the instances of social interaction between entrepreneurs and actual representatives of government agencies, suppliers, clients, (potential) employees, etc. This information can be used to map the various social inclusions of the entrepreneurs in which these interactions take place. This will lead to a reconstruction of the social capital of each entrepreneur.

The data collected in this manner will also reflect how entrepreneurs are instrumental in the social construction of new social cognitive groups. Such groups may include more formal groups, readily recognizable as organizations, but also lower level groups: configurations. These data regarding the constructive processes

of new social groups will provide insight in the social (political and economic) influence of entrepreneurs, and in they ways that influence is produced.

The outcomes of the this research will considerably increase insight in the social position of entrepreneurs in present day China. The results should also be valuable for researchers studying entrepreneurs in regions in a similar economic and political stage of development as China.

Part II
Cases Histories

This section of the book presents the main cases analyzed in our research so far. The structure of each case chapter is roughly similar: a short introduction of the key actors, their enterprise and background information. The latter includes information useful for readers who are less familiar with the Chinese environment.

As mentioned before in the Introduction, this book presents the intermediate results of ongoing research. Some of the cases cited on these pages have been researched for some time, while other have only recently been initiated. As a result, there can be minor differences in depth of analysis between the cases in Part II.

Moreover, long-term qualitative research spanning a number of years like ours is not a job for a couple of researchers. Your authors are the leading researchers in this project, but a varying number of students are assisting in the many sub-tasks of the research. Some of the case texts in this chapter have been prepared by co-researchers. To do justice to their efforts, their names are provided with their cases. Obviously, the authors alone are responsible for the overall quality of these texts.

Chapter 4
Real Estate Entrepreneur Wang

The Yihai case occupies a special position among the cases used for this study. The fact that Linda Wang is a female entrepreneur makes her a minority among our case entrepreneurs, however, this is not the most salient difference. Wang was already an accomplished entrepreneur, when the enterprise selected for this book was initiated. In that respect, she is different from people like our textile entrepreneur Niu, who started his company on the basis of a previous salaried position in a company. She also deviates from start-ups like internet entrepreneur Du, or the migrant entrepreneurs analyzed by the students.

However, we believe that Wang not only qualifies to be featured as a private entrepreneur in this study, she may very well be a representative of a future mainstream type of successful Chinese private entrepreneurs whose success in business will generate an increase in political and economic influence. In Chap. 3 we have indicated that the increasing influence of entrepreneurs in central politics is a distinct trend. Wang does not (yet) rank among the top entrepreneurs in Hurun's China's Rich List introduced in that chapter, but she is close.

This case analysis therefore deviates from the life story model used to describe all other cases. It does not involve the entire Yihai Garden, but a small aspect of the project, that can be regarded as a separate business case: operating a set of schools, in particular the primary and secondary schools. This is why the case has been named: Yihai Education. This case has been used by the authors in earlier writings, though with emphasis on different aspects (Peverelli et al. 2011).

Introduction

Yihai Garden is a residential estate in Fengtai District of Beijing. Private housing in China used to be typically provided through the work unit. Although this system has not been abolished, the current trend is that Chinese citizens take care of their own housing. Commercially developed residences have become a booming business.

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The more elaborate estates include shops, restaurants, and other conveniences to attract buyers.

Yihai Garden has been selected as a case for a number of reasons. The project is one of the oldest of such projects in Beijing and certainly one of the most elaborate. Moreover, in Yihai Garden, the original developer has stayed on to manage the estate, while in most such projects the management is taken on by a dedicated management company. This fits the image that the entrepreneur has created for herself as a responsible entrepreneur committed to redefine the way the citizens of China's capital live.

Fengtai had been looking for a party interested to develop that piece of land for some time without success. As a last resort, Fengtai presented the project during a trade fair in Hong Kong in 1992, where it attracted the Wang's attention. Wang succeeded in gathering a group of investors and went to Fengtai to inspect the site and negotiate with the government. The state of the soil was so poor, that all potential investors but Wang pulled out from the project. In Wang's own words (private communication), she was set on 'helping the government' in a moment of need and as a reward she was given the right to develop the land at very low cost.

The main problem during the initial stage of the problem was infrastructure. Wang gave a section of her land to the transit company to build a bus station, to speed up the opening of a bus line between Yihai and the city centre. Wang again explains this move in terms of helping a government agency lacking means to make the investment at that time.

Another impediment for people to decide to buy apartments in Yihai was the lack of proper education in its vicinity. Finding schools and seeing children to school is a burden for most of China's urban residents. Wang decided to develop a complete set of educational institutions within Yihai, including a kindergarten, a primary school and a middle school. The idea was conceived as a way to relieve the Yihai residents of this mental and physical burden, so they could focus on their jobs to earn a living for their families.

Establishing and operating schools, in particular primary and secondary schools, involves a lengthy bureaucratic procedure. Government approval is needed. And to obtain such approval, one needs to comply with the relevant rules. In line with Chinese practice as explained in the first part of the introduction, Wang proposed her idea to the appropriate administrative level, Fengtai District. She mainly met with opposition, with the exception of one official, Mr. Li Yingwei. The authorities claimed that they did not even have the funds to maintain the existing schools let alone build new ones. Wang then, again in her own words, decided to 'help the government' and finance the establishment herself, as long as she got permission to do so.

To access educational knowledge, Wang sought relationships for her primary and middle schools with existing schools. Through the connections of Mr. Li Yingwei, Beijing No.2 Experimental Primary School and Beijing No.8 Middle School were successfully contacted respectively. The Yihai schools were established as subsidiaries of these schools. In the remainder of this paper, Yihai2 will refer to Yihai's primary school and Beijing2 to its mother organization. The same applies to

the terms Yihai8 and Beijing8. Especially during the initial stage, a significant number of teachers were assigned, including the current principals, to Yihai from the partner schools.

This created an interesting situation with regard to the administrative affiliation of the Yihai schools. According to current political practice in China, the Fengtai Education Bureau would be the expected supervising agency of the Yihai schools. Our research revealed the opposite. Instead, as both partner schools are located in the West City District, they have a strong West City character. Both principals have held functions at the West City Education Bureau. The West City links of the schools are combined with the fact that quite a number of the first inhabitants of Yihai Garden had West City roots. The Fengtai Education Bureau acknowledges the success of the Yihai schools during interviews, but interaction with the schools is infrequent. The West City Education Bureau, on the other hand, has visited Yihai once with an official delegation of school principals to learn from Yihai's experience. During that visit, a representative of the West City Education Bureau mentioned the links with the West District as the motivation for the visit.

The case story seems to indicate that the deviating situation can be linked to the personal entrepreneurship of Linda Wang, in particular her ability to forge relationships with key people and add the networks of those people to her own. In other words, Wang not simply forges relationships with people, but links the networks of those people with her own networks. In the remainder of this paper we will formulate a model to analyze such social processes and apply it to the educational activities of Yihai.

The Social Construction of Yihai Education

In terms of SI theory, the educational activities of Yihai constitute a separate cognitive space, which will be referred to here as Yihai Education. This space started as an idea by Wang, but was gradually constructed through her interaction with people in various contexts. All these people added to the cognitive matter of that space through their multiple inclusions. The following is our reconstruction of that process, based on the stories of the various key persons. While telling the story, we will point out the various social-cognitive groups involved, and the way they are linked through the inclusions of those key people.

People do not develop ideas from scratch. New ideas emerge on the basis of existing inclusions. As the CEO of Yihai, Wang needed to attract buyers for her apartments. As the mother of a (then) school age child, proper schooling was one of the priorities in her family inclusion. She realized that political practice required her to contact the government and, as Yihai was located in the Fengtai District, the proper government for her to turn to was that of Fengtai. She talked to a number of Fengtai officials. We do not know to whom, except for one person: Li Yingwei, the only one who supported her. Li Yingwei has been the Governor and Party Secretary of Fengtai District, but born and raised in the West City District. He has always

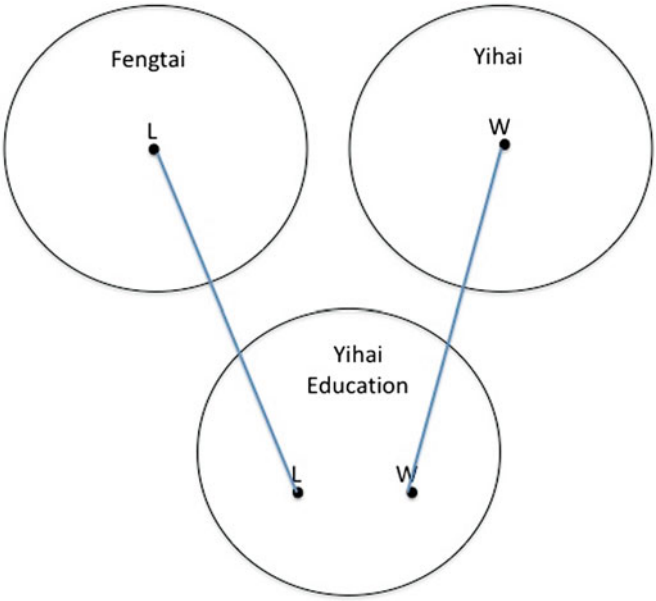

Fig. 4.1 The basic configuration of the social construction of Yihai Education

been a supporter of developing this region through attracting high tech projects, which made him more open to Wang's initiative than his colleagues at Fengtai. When people start to interact around a certain theme, they immediately start the sensemaking process, and the creation of a configuration. Wang is interacting from her position as CEO of Yihai, her counterparts from their respective positions in Fengtai. They create a third context, that we will give the working label: Yihai Education. Wang is included in Yihai and the newly created Yihai Education space; Li in Fengtai and Yihai Education. Li agrees with Wang's idea, thus creating an especially strong bond. The other Fengtai people then retreat from the interaction. The resulting situation is graphically represented in Fig. 4.1.

Wang then contacted the Beijing Education Commission (BEC) for approval. In Wang's own story, she never omits to stress that she even visited a BEC official in hospital, who was therefore convinced of her determination. We have no name of a person there, so we will call this person X, as a symbol of the institution BEC. As approval was granted, this X remains included in Yihai Education. In the institutional environment of Chinese educational policy, schools need to be regularly inspected to see if they are still operating in accordance with the law, so we can presume that some levels of regular interaction remain. In our following graphic representations of the social construction of Yihai Education, we have omitted the BEC contact. It is not a major role in this story and not drawing in will keep the graphs more intelligible.

After obtaining approval, the next problem for Wang was knowledge of education. Of core importance to the realization of her educational ambition was to establish a primary and a secondary school.

Wang wanted to establish cooperation with existing schools to utilize their experience. A common point in the stories of people from Yihai Education is that Fengtai was a rather backward, rural, district. Fengtai was perceived to have a rather introvert culture, with little endeavour to link up with the rest of Beijing. Fengtai was therefore not considered the proper place to find partner schools. As Wang had already established a strong bond with Li, Wang once more turned to him for advice. Li had inclusions in Beijing2 and Beijing8. Li is an alumnus of Beijing8, as is his wife Hu. Li's son had been educated at Beijing2. It was then almost natural for Li to introduce these schools as potential partners to Yihai. Li's wife used to teach at Beijing8 and was transferred to Yihai8. She is still one of the directors in Beijing8. The naming of the Yihai schools is based on the names of the partners: Yihai2 and Yihai8, respectively.

As part of the cooperation between Yihai2 and Yihai8 and their respective mother schools, Beijing2 and Yihai8 sent a number of teachers to Yihai, including the current principals, Shi (S in the graphs) and Yin (Y) respectively. In the total picture, Shi is included in Yihai2 and Beijing2. The same holds for Yin in Yihai8 and Beijing8. Yin's story shows a strong bond between herself and Wang. During interviews, Yin relates that she and Wang 'hold different opinions on a number of topics, but that their personal relation is very good'. Strictly speaking, the special relationship between Li and Hu forms a space of its own, but as it has been constructed in their Beijing8 inclusion, we can simplify the graphical representation of this case by drawing it in Beijing8, with a thick line to stress the tight bond, resulting in Fig. 4.2.

The original Wang – Li configuration in the Yihai Education space gradually institutionalized into a Steering Group Commission (*jituan weiyuanhui*). This is an important milestone in a process of emergence. Once regular social interaction has been institutionalized, it will have the propensity to constantly reconstruct itself through by following the institutionalized procedures. At this stage, some actors can leave the group, while others can be added, without fundamentally changing the cognitive part. For example, a new Principal of Yihai2 would bring in his/her own inclusions, but this will not necessarily immediately or fundamentally change the way the Commission operates. The establishment of the Steering Group Commission therefore marks the consolidation of Yihai Education. The configuration of the Commission is indicated with a thick line in red to make it visibly more distinct from the Wang – Li configuration in the Yihai Education space.

Both Beijing2 and Beijing8 are located in the West City District. As such, they fall under the supervision of the West District Education Bureau, which indicated by the interrupted square in Fig. 4.2. This link with the West District was not intended, but a consequence of gradual social construction of Yihai Education.

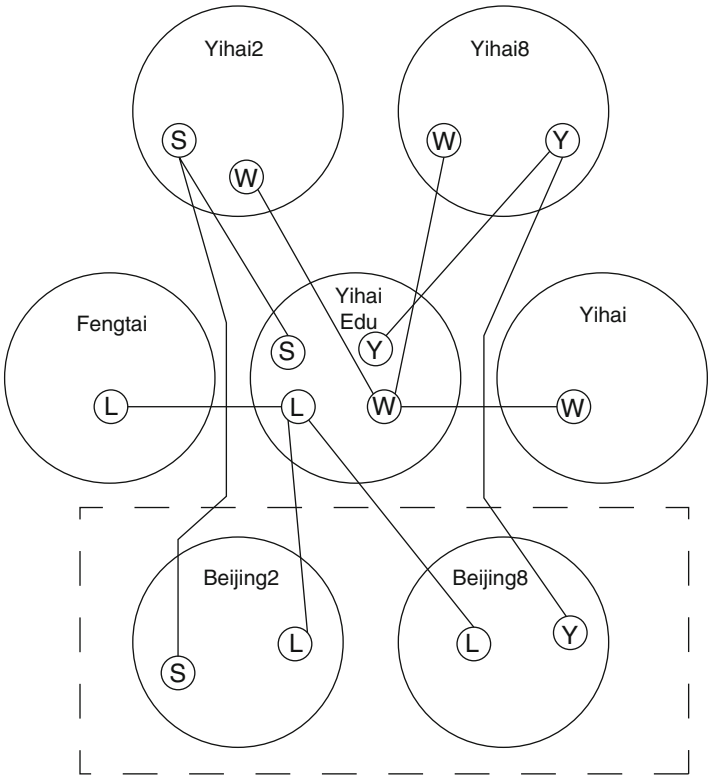

Fig. 4.2 Yihai Education: the total network of the key actors and their relation to the West City District

Wang's Entrepreneurship

In the previous sections of this chapter, we have explained our model on the educational activities at Yihai Garden. The core problem in the Yihai Education case is that the government organization, that would be expected to control the schools, the Fengtai Education Bureau, was in fact hardly involved in their operation, whilst another one its sister organization in the West District, although not officially empowered with such jurisdiction, showed certain aspects of the behavior of a supervising organization.

We understand this situation as a consequence of the concatenation of interactions related to the establishment of Yihai Garden in a particular institutional environment. Wang's decision to help Fengtai District develop a piece of wasteland without using any government funding formed the basis on which Yihai Garden could emerge as an enterprise operating with only marginal interference from the local government.

Through her configuration with Li in Yihai Education, Wang could access Li's other inclusions, in particular the ones in Beijing2 and Beijing8 as partners for Yihai2 and Yihai8, respectively. As both schools were located in the West District,

the inclusions of the staff that were assigned from Beijing2 and Beijing8 to Yihai, in particular the two principals, formed many channels to access the cognitive matter of the West District.

As a result, the West District Education Bureau gradually perceived the Yihai schools as 'like' their own and felt a natural urge to exercise some form of control. However, they could not do so directly as Yihai was under Fengtai jurisdiction. Instead, the West District Education Bureau organized the study visit of West District school principals to Yihai.

It seems that the entrepreneurship of Wang lies in her ability to sense the commercial possibilities created by linking her multiple inclusions (sources of resources) in various ways, and picking the set of inclusions that can produce the desired results in the quickest way. Wang herself hints at that in her own words during a more recent interview (July 2011), when she refers to herself as an 'organizer (*zuzhizhe*)'.

> Actually, when you take me apart, I do not have any skills. I am not a good educator. If you really let me build, I can't do it. If you really let me do real estate management, I will not stand up to it (zhanbulai). Actually, I believe that when it comes to undertaking actions, I have a heart for it, but I take up the part of organizer. The is what I mean when I often say that China does not lack people with a loving heart, but lacks organizers. I understand one thing: in case of snow disasters, I successfully organize people to donate money. In case of an earthquake, I am successful as well. I am successful in Yushu [an earthquake location in Qinghai], I was successful in Haiti. You know why? Later I discovered it. In fact, the organizer is not me alone, I have already changed Yihai into an organizer. I first changed my employees into organizers, then I changed the entire community into an organizer. The whole of Yihai became an organizer.

A simple summary of what Wang is saying here is that she makes the plans and has the ability to let others carry them out. However, she accomplishes this not by giving orders. The other people in the Yihai inclusion, first the staff, with whom she has an employer – employee relationship, and then also to other stakeholders, apparently have such confidence in the appropriateness of Wang's ideas, that they become the hands and feet that bring those ideas into practice. In the chapter on relations with government agencies in Part III of this volume, we will quote Wang on here relationship with the Beijing government. That quote indicates that Wang uses the same skills to 'organize' high level municipal officials.

Education as Core Business

We have maintained contact with Wang to follow the development of this case. Yihai Education has been so successful, that Wang has initiated more projects in the field of education, including the emulation of the Yihai Education model in some of her other housing projects in other parts of China. She is now actually referring to herself as an educational entrepreneur (private communication during an interview of July 2011), and has established an Yihai Education Group. She has established

a number of foundations to help funding education, like building or renovating schools, giving scholarships, etc.

Wang's educational activities have benefited the growth of her original business, real estate. She has gained considerable fame as a pioneer in privately developed and operated schools in China. She is positioning these activities as her way of giving something back to society, that has allowed her to make a fortune with her real estate business. Because part of her educational activities are implemented as foundations, she has created channels for large companies, including state owned enterprises, to engage in charity, without having to go through the hassle of finding reliable foundations (there have been problems with fake foundations in China). Wang is regarded as a symbol of reliability. As a result, these educational activities have also become yet another channel for Wang to increase her network among leaders of top Chinese corporations. The following snippet from the July 2011 interview summarizes this nicely. Some time in the interview, Wang mentioned that many SOEs 'follow' her. To speak in that way about SOEs should be regarded as 'special language' for a private person. It therefore was a good occasion for us as interviewers to ask her what SOEs were particularly following her.

> Many. They all want to go with me. Now I do not want so many. Why do so many SOEs want to go with me? Because they have money, but no projects, they don't know what to do. For example, Sinopec goes with me. They only know about petroleum, not about real estate, education or trade. They have land, but only have land, the State does not give them policy. Or like the Tobacco Corporation. They have money, they give it to me and I help them make money. Many money making companies think that I am into charity, because I am in education and [they believe that] education is charity, helping society. That way of making money is worth it. It is making money while helping society. How to do it? That's why talking about education, the State wants to put in money. Why? Because I do not make education for my own good, but for the good of society. Do you think that is innovative?
>
> This snippet contains a few colloquial expressions that we have tried to keep intact in the English translation. 'Go with me' (*gen wo zou*) is a such an expression indicating that the (leaders of the) SOEs have faith in having Wang take the lead. 'To give policy' (*gei zhengce*) is an indirect way of stating that Wang can get favors from the State that the SOEs not necessarily are able to obtain. Wang then continues her rather derogatory description of the (leaders of the) SOEs by stating that they fail to see that education is also a way of making money and certainly not just a form of charity. In terms of inclusions, Wang is a central actor in a configuration of (leaders of) large SOEs like Sinopec and the State Tobacco Corporation, a monopolist in its business. She is also included in a configuration with government officials from which she can obtain favors like the right to use land for development. She can win those favors on the basis of her educational activities that are perceived as benefiting the entire society. Wang is then once more the link between these two configurations through her multiple inclusions.

Wang is here once more showing how she can impose a strong confidence in other people, including CEOs of top SEOs. In this case, the latter do not become the hands and feet that realize her ideas, but they entrust her with considerable sums of money in the form of donations to her foundation. They trust that she will employ that money well, while they can simply write the donations off as gifts, which is considerably less cumbersome than, e.g., directly funding a school in a remote area,

which would involve monitoring that the money would be spend well, checking the building, attending the opening ceremony, etc. Wang will now do this on their behalf.

All this corroborates our earlier proposition that the core skill on which her entrepreneurship is based, is her ability to link various networks. She does so by setting up configurations in which key actors in those networks can get included as well.

Chapter 5
Textile Spin-Off Niu

Introduction

Niu is a typical example of a spin-off type of entrepreneur. The roots of his entrepreneurship are not located in his youth and/or education, but in his previous employment. He got a job in a state owned enterprise and acquired a liking for the work. Dissatisfied by certain changes in the organization, he developed the idea of continuing that business on his own account, using the social capital accumulated during his term in the company as his basic resource.

Niu was quite successful from the start, which he attributes to his strategy of strongly focusing his business on a few clients and a narrow product range. This worked well as long as the global economy kept growing. The global financial crisis showed the weakness of that strategy. By the time of the interview his company had been downsized considerably and he was already preparing for the next stage of his life which would be in Canada. However, he was not yet ready to give up entirely and was operating on a lower level.

Life Chapter 1: Employee

Niu started out as an employee of a state owned foreign trade company in the textile business in Tianjin. It was a typical foreign trade company from the era of the planned economy. Foreign buyers would place an order for a certain batch of goods of a certain quality, to be delivered at a certain time according to certain conditions for a certain price. Any of those conditions was open for negotiation and Niu was responsible for negotiating a deal. Once an order was processed, he would contact domestic producers who were able and willing to produce that batch. He would regularly visit that producer to check the process. The client would also often send a person to China to check the quality of the goods before shipment, to avoid problems during quality inspection in the port of destination.

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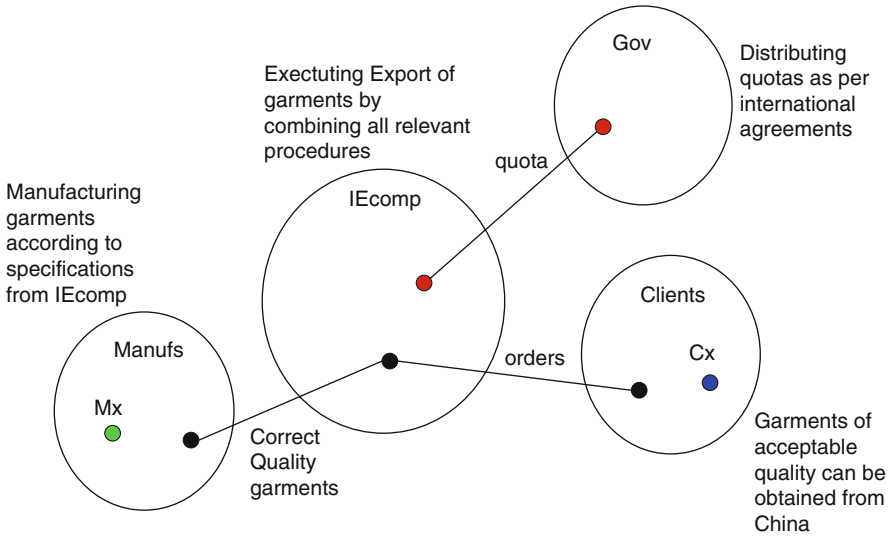

Fig. 5.1 Niu as an employee

International textile trade was, and still often is, complicated by a system of quota. China was known to supply textile products for extremely low prices. To protect the domestic markets, many countries or regions like the EU, would impose import quota for textile from China. In case a Chinese company wanted to export textile products, it was required to apply for a part of the Chinese quota. The national government would try to distribute the total quote evenly over regions and companies.

Niu's work involved regular interaction with a number of parties: Table 5.1 Key stakeholders of Niu's business

Parties	Nature of the interaction
Clients	All matters related to the order
Producers	Producing a batch for the right quality within the required time
Government	Quota

There are more, like the customs, etc., but these are the most essential ones. Niu's situation in this chapter can be described in Figure 5.1.

Chapter 2: On His Own Feet

He had risen to a level in his organization somewhere in the top-middle of the hierarchy, when a manager was hired for his Division with whom he found it hard to develop a good working relationship. This was the main incentive for him to leave and start his own business, doing more or less the same he was doing before, be it for his own account.

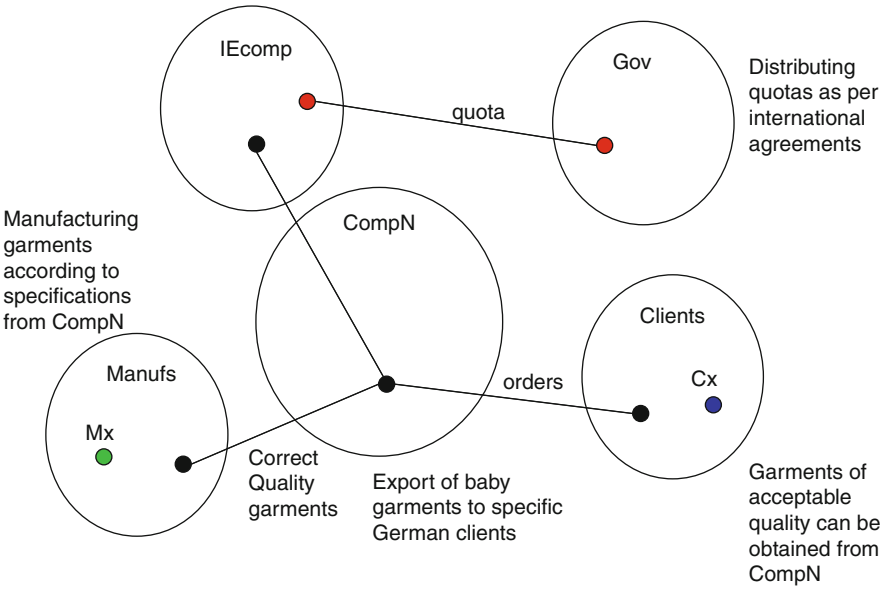

Fig. 5.2 Niu as an entrepreneur

That did not mean that his relation with the company was severed completely. International textile business is restricted by a quota system. It would have been virtually impossible for him as a new, private, player to obtain quota on his own. He needed to use part of the quota allocated to his former company (Fig. 5.2).

Chapter 3: From Trader to Producer

Niu positioned his organization company with a strong emphasis on quality. He had accumulated extensive knowledge of quality standards in this sector in his previous position. The foreign trade company would typically receive orders from abroad and then find a suitable Chinese company to produce the ordered products in accordance with the contracted specifications.

This requires intensive relations with the manufacturers (also inherited from his work in the foreign trade company), including regular visits to inspect the progress and to timely correct work that is not in accordance with the specifications. Niu decided that it would save considerable effort to set up production himself. He would then be able to control quality of the entire process, without needing to travel to several companies and dealing with numerous contact persons. He quickly developed into a 200 employee production and export company.

Niu characterizes his business model as 'vertical' (*zongxiang*). He prefers to concentrate on a small number of clients (German) and products (baby garments), and does his best to please those clients so much, that he can create maximum

loyalty. The relationship with his clients dates from his work at the foreign trade company. They followed him, when he left and set up his own company. The advantage is that this is the strategy that entails the lowest cost. He only visits Europe twice a year, staying there only limited time.

Niu did all product development himself. The main risk, which he acknowledges is quite high, is that losing a client means losing a big part of his business. The same applies to a sudden heavy change in the market for baby garments. This was especially strong in his case, because Chinese parents do not like to spend a lot of money on infant clothes, as infants grow so fast, that you need to buy a new set of cloths every few months.

Most of his competitors in a similar situation preferred to adopt a 'horizontal' (*hengxiang*) strategy. They profiled themselves as suppliers of a broad range of products to a broad range of customers. They frequented trade fairs all over the world, making high overhead costs.

Chapter 4: Decline

By the time of the interview, Niu's business had been declining for a while. He had already decided to move to Canada, but was not yet ready to give up. While his family was already living in Montreal, he remained in Tianjin to run his business.

The change for the worse was caused by changes in different sectors of his environment:

The Chinese government had promulgated new legislation related the management of companies and in particular on the rights of employees. Problems like the high suicide rate at Foxcon had, if not caused, at least speeded up this legislation. This made employees much more expensive for employers. It also becomes harder to find young people interesting to work in the textile sector. Tax collection has also become stricter and more complex (including tax related to software, machinery, etc.).

The local government is more interested in prestigious projects, in particular foreign investment, than small local entrepreneurs. Tianjin has formed a Tianjin Textile Group operating around 100 subsidiaries under a government bureau, however some are also private companies operating under a government umbrella. Niu has been approached by that company to start operating as a subsidiary. He has so far refused. A number of others in his position do so. He refers to this as 'turning around with the government' (*genzhe zhengfu zhuan*).

Another negative type of government behavior Niu is noting is that governments tend to prefer financial sector over production. Within the production sector, textile is regarded as an old mature business, without promising perspective.

New peasant entrepreneurs have entered the market. Entire families are combining their efforts to produce the same garments for a competitive price. They work on a cash only basis, with very little paper work. The family planning policy is bad for family enterprises. His daughter is not interested in the business. 'If only I had

two sons'. Moreover, Niu's family is big city based, which has accessed his daughter (and wife) to a broader range of possibilities for diverting their attention than the family members of the rural entrepreneurs; not to mention the different position of the entrepreneur as the *pater familas*.

More garment production is being set up in the regions where the cotton is growing. It is harder to get the high quality raw materials he needs. Niu had failed to note that, the move from trading to producing did in fact not reduce the number of stakeholders. While he did not have to discuss quality of the end products with external parties, he now had to deal with raw material suppliers. The number or relevant stakeholders did not decrease; it only changed.

Due to the financial crisis in Europe, his German clients started to reduce their orders.

This is a point at which Niu's 'vertical' strategy started to backfire. He was relying on a too small number of specific clients became a problem (Fig. 5.2).

Chapter 5: Hanging on

Niu is now operating with 21 people, most of whom are unemployed women their 40s and 50s. These people are grateful to have a job that not only generates income to supplement that of their husbands, but also gives them something to do

Chapter 6
LangLib: An Online English Study Community

Peter J. Peverelli, Jiwen Song, and Wei Si

Introduction

Nowadays, studying abroad has been a prevailing choice of Chinese students, and English study is regarded as essential by those who are going overseas. Hence there are many English training institutions established in China, such as New Oriental, New Channel, and Global IELTS, and they are keeping growing. However, these institutions only concentrate on teaching students in a traditional manner, which is face-to-face courses, yet neglecting other auxiliary teaching methods, especially online training services. Having recognized this potential market, Du Changxu, a PhD of Tsinghua University, set up LangLib together with his partners in 2009.

Du Changxu majored in CPU software during PhD, and he started to teach English in New Oriental during undergraduate. Inspired by his father, he decided to run a business after graduation. He gathered his graduate roommate Jia Yiming, undergraduate roommate Peng Wenyu, another Tsinghua PhD Shi Jin, and Jia's undergraduate roommate Jin Jing as partners. Because they all majored in computer science in university, and Du had a lot experience in English training, they decided to combine the two fields together. Therefore their plan was to make an English education website. They started in 2007. There was no similar website at that time, so they designed it all according to their own thoughts. Having code rewritten for several times, LangLib was launched in 2009 February. LangLib focused on TOFEL and GRE online training at the beginning, but it include in IELTS, CET, and graduate entrance English examination services as well now. Users can do exercises, take notes, and communicate with others on the website. Some of these services are payable.

LangLib mainly depends on Du to attract users. Du introduces LangLib to his students on New Oriental's classes, and does advertisement on his blogs. LangLib's registered users reach more than 30,000 now.

During the initial stage, Jia Yiming and Shi Jin quitted for various reasons. Peng Wenyu still participates in the business, but he has another job in CMCC. Thus the

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company is in the charge of Du Changxu and Jin Jing now. Du takes responsibilities of marketing, editing of the website's contents, and administrative affairs, while Jin concentrates on technological development. Peng helps with product test and mobile platform development, taking advantage of his social network in the telecommunication area.

From a theoretical point of view, a salient feature of this case study is that it is difficult to determine, whether LangLib is the enterprise of a single entrepreneur, Du, or that of a group of partners. In the narrative of LangLib, Du clearly takes up the role of the entrepreneur, who then gradually attracts the others to the enterprise inclusion. However, during our research, it became clear that the person of Jin Jing is at least a major driving force behind LangLib, with Du in a steering role. The LangLib case is therefore an interesting one to illustrate one of the main points in the entrepreneurship model used in this study: people do not choose to become entrepreneurs, but construct a role of entrepreneur in the course of ongoing social interaction. As a result, all participants in the interaction, the entrepreneurs as well as their interactants, have a part in that construction of entrepreneurship. In our model, researchers are not pressed to choose whether Du is THE entrepreneur in this case, or that we are dealing with a group of partner entrepreneurs who contribute equally to the enterprise. Messrs. Du and Jin are both entrepreneurs in this case, but their entrepreneurship is constructed differently, due to their different sets of inclusions.

Life Chapters Du

Chapter 1: Childhood

Du was born in Sichuan Province. His father influenced him deeply in his early life. His father was born in the 1950s. He was first a so called 'intellectual youth' (*zhiqing*), and then became a worker in an agricultural machinery factory. He went to college in 1977, and returned to the factory after graduation. However, he could hardly get promoted because of the factory director's resentment towards him. Therefore he did several part-time jobs, and managed to set up a business with his friends in 1992. Nevertheless, government officers told him that the factory was to be reorganized due to poor performance, and almost all employees recommended him to be the new director. He decided to accept the offer after government permitted to give him adequate management autonomy.

The factory turned profitable in his first year and doubled profit in the second. It became the best in the industry in 1995, and transformed into a share holding company in 1997. Considerate to employees, he made them all shareholders of the company, while leaving only a little share to himself. As a benefit to the employees, the company also pays a lot to help them buy houses.

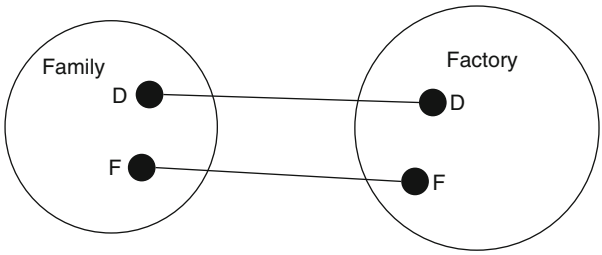

Fig. 6.1 Du and his father sharing two inclusions

Du started to involve in the company's management in 1997. He got a lot of opportunities to meet government officers and businesspeople following his father. He learned how to run a business, keep optimism while working, and how to achieve a harmonious relationship with internal and external stakeholders through these experiences (Fig. 6.1).

Chapter 2: Beijing Institute of Technology (BIT)

Du majored in computer science in BIT. This played a role in leading him to the IT field. Besides, Du started teaching English in New Oriental in 2002, which reflected and enhanced his passion in English. He turned to be good at teaching and made his students his fans. Moreover, there is an idealist feature in New Oriental's culture, which might have inspired Du's entrepreneurship as well as his father's story (New Oriental 2011). During this period he met with Peng Wenyu, who was his roommate and later became his partner in LangLib. Peng found another job in CMCC, yet he helped Du with product test and mobile platform development (Fig. 6.2).

Chapter 3: Tsinghua University

Du was recommended to Tsinghua without examination, and majored in CPU software. He developed a good relationship with his tutor, who is the best in this area worldwide. However, he didn't stick to this major but started to set up LangLib in 2009, when he was in Grade 3 of PhD. His roommate, Jia Yiming, and another Tsinghua PhD Shi Jin became his partners. They were determined to develop some Internet education service, yet none of them was good at Internet application. So Jia always turned to his undergraduate roommate Jin Jing for help. Jin felt that Du and his partners' character and style of doing things were acceptable, so he quit from his job and joined them (Fig. 6.3).

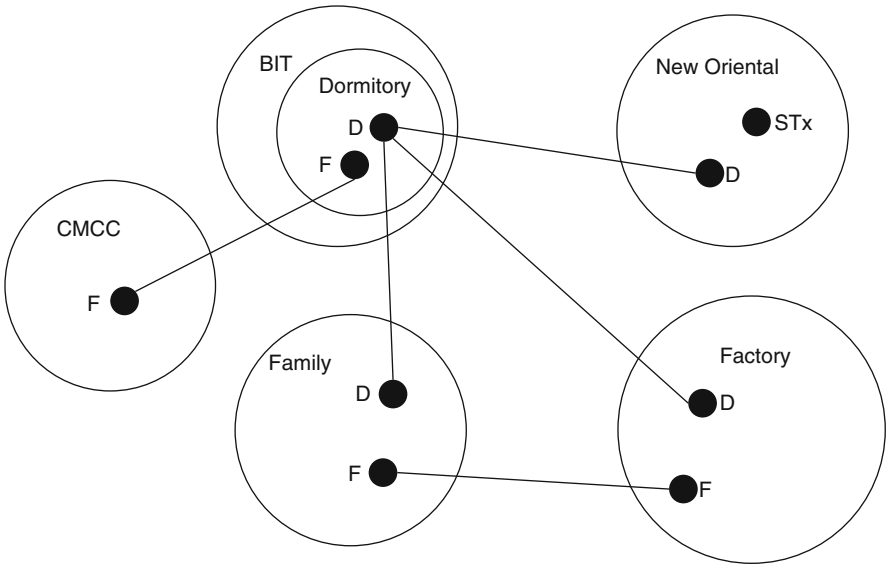

Fig. 6.2 Du's relevant inclusions at the time of BIT

Life Story of Jin Jing

Chapter 1: Beijing Jiaotong University (BJTU)

Jin's story does not begin with his childhood, because this period in his life does not play a role in his stories about his entrepreneurship. He often mentions his parents, but exclusively in the present, as he still maintains close and frequent contacts with them.

Jin Jing majored in computer science in BJTU and achieved a bachelor degree. Jia Yiming was his roommate and later they became partners. Jin Jing had considered achieving a master degree in US after undergraduate. However, he took a visit to some US universities yet didn't find a suitable major and tutor. He realized that he was interested in technology application instead of theoretical research. Hence he went back home and began looking for a job (Fig. 6.4).

Chapter 2: Beijing Join-Cheer Software Co., Ltd. (JC)

Jin found a job in JC. JC is a leading financial software company in China; the salary is high while the workload is relatively low. However, Jin stressed that JC was full of organizational politics. Ideas were always hard to be realized because everyone there was reluctant to take responsibilities.

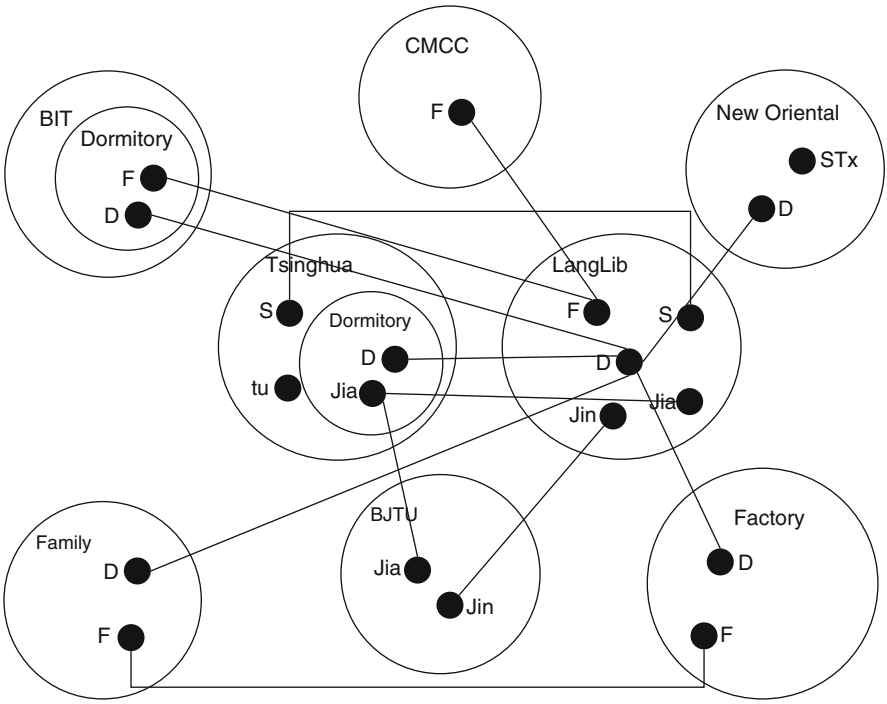

Fig. 6.3 Jin's inclusions at the time of analyzing the LangLib case

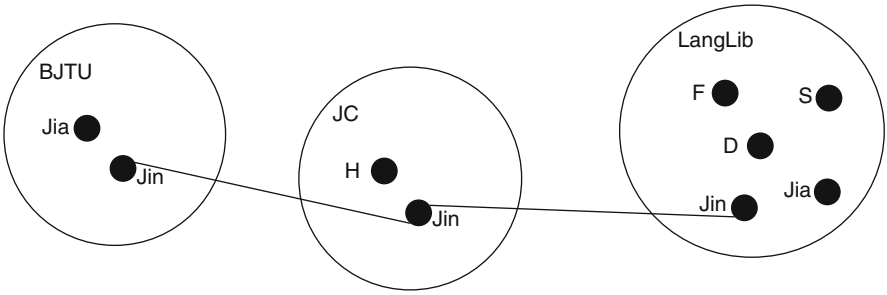

Fig. 6.4 Jin started to do odd jobs for Du

What is of importance is that he met with a financial software expert Huang Qun there. Huang worked for the Ministry of Finance in the past, but left and joined Join-cheer later. And now he is a researcher and teacher on bank accounting. Huang was committed to his profession. Whatever position he is in, he endeavors to promote the development of China's financial software. Jin Jing was inspired by Huang, and intended to attain some valuable achievements instead of flashy works.

Besides, Jin started to do some work for Du Changxu during this period (Fig. 6.4).

Chapter 3: LangLib

Jin later quitted from JC and joined LangLib. He took charge of technology development and managed four or five programmers. When asked if he would like to work in New Oriental or if he supported LangLib to cooperate with it, he said that he wouldn't go to New Oriental because he couldn't stand company politics, and also he didn't think it was a proper time to cooperate with it as LangLib was not strong enough and therefore the cooperation with New Oriental would be easy to turn into affiliation to it. He also mentioned that they didn't regard New Oriental as promising after having some contact with it. He showed satisfied working in LangLib. He could concentrate on technology issues here with adequate autonomy.

Network analysis of LangLib

Type	Who	Interaction
Partner	Peng Wenyu, Jia Yiming, Shi Jin, Jin Jing	Direct contact in the company Jia and Shi quitted later Peng gets another job in CMCC
Clients	Mainly Du's students at New Oriental	Direct contact through classes, Du's blogs and microblogs
Government officials	The people in charge of tax and high-tech enterprise certification, etc.	Regular contacts according to official require
Zhucheng building	The owner of the office	Payment of rent and other typical tenant contacts
The server owner	One of Du's friend	Share the server with the friend's company

Chapter 7
Home Renovator Cheng

Sharon Archetti and Liu Jingfang

Introduction

The protagonist of the life story being analyzed is named Cheng Gong, a village boy who at first went to Beijing in the hope of alleviating his family out of poverty and eventually developed into a migrant renovation entrepreneur in the city through various source of influence.

In his own account, he was an "accidental entrepreneur". Hence a close analysis of Cheng Gong's story also enable us to see an ever-changing dynamic renovation market in Beijing during the past 20 years, which is the main context shaping Cheng Going into what he is now.

The whole story is divided into four chapters, each of which is unfolded with a combination of life story analysis and network deconstruction based on secondary resources. Particular emphasis is paid on the process of "becoming" and the influence of "being" a migrant entrepreneur.

Life Chapters

Chapter 1: Starting from an Apprenticeship

Cheng Gong's entrepreneurial story should best start from his quitting high school and starting of his apprenticeship in Beijing under his relative at the age of 19 in 1993 under financial strains of the family and the general trend in the 1990s for village youths to migrate to the cities. It's easy to examine his multiple social inclusions before coming to Beijing as high school student, village youth and family son which altogether shapes his decision to quit school and become a carpenter apprentice. At this stage, the primary social inclusion for Cheng is family.

In the early 1990s there was a general social context for village youth to migrate to the cities, and through Cheng Gong's interactions with those migrant youths as

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a village youth himself, he was tempted by their "alluring tales". This was further proved by his parents' blames on the "bad company he kept in high school" as their explanation on his choice. However, Cheng Gong's own account to quit school and go to Beijing indicates a stronger influence on the family's physical condition: "My purpose is to make enough money so I can help alleviate the poverty of my family," "I did not give any consideration to myself. . .didn't think hard about how to develop myself and in which direction." From his own account we could see that Cheng Gong did not "plan" to become an entrepreneur at the very beginning. He seemed to lack many of the traditional "traits" typical of social presumption of entrepreneurs, as we didn't see a "confident", "heroic" or "ambitious" young man with an enormous sense of achievement, but rather, a humble, low-profile village boy simply wish to help his family out of financial difficulties. He is male and young, but unlike many of his peers from big cities, who are highly educated, MBA trained young professionals wearing suit and ties, he simply did not fit in. He simply didn't have sense of "entrepreneurship" although something hidden in him and the society itself has pushed him onto the track of entrepreneurship.

Apart from the family's physical condition, his parents' attitude towards his decision was complex thus worth noting. His parents "are hardworking peasants with little education and no others skills besides being good cultivators of rice, cotton. . .vegetable;" Like many others in the area, they hoped that their child would eventually test into college and become a state salary earner-a stable and insured path of future. Therefore Cheng Gong's later decision against his parents' wish to become a state salary owner indicated a traditional entrepreneurial trait in him-autonomy. Luckily his parents' ways of parenting was more of an authoritative control, which means "a high degree of authority goes with supportiveness."

When Cheng Gong was determined to quit school and "enter society" anyway, instead of exerting authoritarian power to change his mind or punishment, his parents rather helped him to find a distant relative they trust with whom Cheng Gong could start his adventure through an apprenticeship.

This has become the first turning point of Cheng's life. He went to Beijing for the apprenticeship with the family distant relative from a nearby village working as a carpenter where he began to accumulate his first circle of social capital. During this stage, due to his limited resource (education and social), his social inclusions has to be based on the apprenticeship under his distant relative who had by then already been in Beijing for 6 or 7 years thus possessed more social capital than he did. At the same time he quickly developed a network of friends among fellow migrants from the same county with similar situation of what he referred to as "guerrilla worker". This network eventually dragged him out of the authoritarian and subordinate control of his relative-a network of influence from the "feudalistic" arrangement.

As he put it: "I had gotten to know many people so I knew it wasn't difficult to be on one's own. I wanted to work on my own because I wasn't used to being ordered around by someone else." Here we see the autonomy trait acting again in Cheng Gong's life choices. And we could sum up his social inclusions as the carpenter apprentice as follows.

We see at this stage Cheng Gong's still confined to his master relative, via whom he reached to customers in the market. But at the same time, this apprenticeship also tied him to his familial obligation. When he quickly formed a deeper social propensity for the group of other migrant workers developed on his own, he identified the apprenticeship as an obstacle for his development and consciously tried to break up from it. "Because he was a relative, I decided to stay to finish my one year term. . .but this was a sacrifice I made for his sake."

The process of identifying the relative's negative role while constant interacting with other migrants made Cheng Gong first realize apart from earning money to get his family out of poverty, he could have a "career" of his own in the big city. Therefore this stage of apprenticeship played a significant role in the construction of Cheng Gong's entrepreneurial idea in the later chapters of his life.

Chapter 2: A "Free" Agent, a Genuine Guerrilla Worker in the Renovation Market

After a first adapting year, Cheng successfully "liberated" from his master's relationship and became an independent interior renovation worker, a genuine "guerrilla worker"-a label self-styled to make sense of the migrant interior renovation workers' unregistered status and unstable nature of job in the early "chaotic" renovation market. If his past apprenticeship with the relative only brought him out of village, the coming chapter of his life story working as a "guerrilla worker" for 6 years actually pushed Cheng Gong "step into society" on his own thus exposed more to the various sources of social influences.

We can see that Cheng became a "free" agent, his main social inclusion lies in the chaotic renovation market. Whereas past apprenticeship inclusion leading to his family influence has become weakened. Nevertheless, that apprenticeship experience cannot be abolished altogether because that experience taught him the skills and primary knowledge necessary in working as a free agent with direct link to the customers in the renovation market. The renovation market at this stage is described as "chaotic" in Cheng's own words as it contained an active presence of the police. Because of his "outside status", he along with many other migrant guerrilla workers was exposed to risks being expelled from the city by the police and restrictions of advertising in the residential area.

This was due to a restrictive state control over migrant workers through exclusive regulations preventing renovation migrant workers as Cheng from economic and social integration. This current situation hence singled out a certain cognitive group of migrant people with constructed shared identities out of common encounters. Cheng is member of this cognitive group, albeit in a less organized or conscious way. Important to note that at this stage working as a free agent, Cheng Gong became exposed to the repressive state control. Moreover, this influence of state control is not only exerted on the migrant workers like Cheng, but also on the

customer groups as old ladies guarding apartment gates chasing the flyer distributors making them feel as if they were thieves. This was something new to Cheng Gong after he broke from his apprenticeship tie, and something he has to overcome and deal with throughout his future entrepreneurial endeavors.

Chapter 3: Small Company Owner

The experience gained during years 1997–1998 in the renovation field, allows Cheng Gong to detach an imminent change in the business climate; willing to catch the opportunity and extract benefits from it, he accepted to start a partnership with a fellow migrant worker, registering a company.

This step of "legalizing" his work formalize in a more clear way the entrepreneurial "spirit" of Cheng's work. Without truly realizing it, Cheng now is involved in a partnership, a particular type of firm, where he shares with his work partner the managing of a real company.

We can argue that in this moment Cheng started formally his entrepreneurial career, although in an unconscious way. Also before in fact Cheng showed many features and behavior linked to the entrepreneurial stereotype, but now he bureaucratically signed his entrepreneurial path with the institution of his first company.

Another important aspect that we can derive from the firm's creation is the role played by experience: this latter element in fact permits Cheng to develop not only the know-how, necessary to detach the future business trend, but also the know-who, that allowed to get his co-worker's request.

In order to exploit the forecasted development and build up a company, a starting capital of RMB10,000 was needed as deposit; a 1% withdrawal of contracts value was also due to the supermarket management by renovators.

Establishing a company and formalizing his entrepreneurial position, brought Cheng a full package of responsibilities related with money such as:

- Searching for funds, which is actually the greatest problem of entrepreneurs; detaching a good business idea is extremely difficult, but even more is finding capital to develop it;
- Not all the incoming money from the job has to be considered as profits;
- It is always good to remember and prepare the company and himself/herself for future due withdrawal (e.g. taxes).

The company registration with the supermarket has both positive (i.e. increase in the number and value of projects, customer recognition) and negative (i.e. rent and fees) aspects that impacted on the final price charged to customers.

Taking risks in entrepreneurship is common, but it is extremely important to abstractly analyze the net of pros and cons before taking a certain risk decision; an error in calculations could bring disastrous results.

Cheng faced this aspect of entrepreneurship successfully analyzing the business situation, understanding the need for an official company and facing both the high

and low company's moments; his partner, for example, although facing the same analysis and scenarios of Cheng, abandoned the business in 2000 because of the difficulties in obtaining profits and the tough competition.

Cheng, on the contrary, pursued his project, demonstrating faith in it and courage. Obviously entrepreneurship is not about pursuing blindly his own business idea, but also understanding when is the moment to change or to quit; anyways is also important to not be scared at first sight by coming problems, but being able to face them and possibly win. The difficulties faced by Cheng in his life and the experience far from home at early ages could have helped develop a brave attitude.

A last but extremely important aspect of this life-chapter has yet to been analyzed.

The awareness of his origin and of the citizens' perceptions about country workers pushed Cheng to mingle himself into local associations in order to develop his network and to gain image advantages in the eyes of citizens.

Once again, Cheng's youth leaved far from home and with the necessity to get by, could have developed his instinct in networking with local authorities and associations in order to being able to solve any situation.

At the centre of the network of Cheng's social inclusion in this third life-chapter, we find the newly established company, the fulcrum. Other important inclusions—besides family that always remains an important element in the entrepreneur life although not quoted in the text—are the supermarket management and local associations. Those two inclusions are extremely important here, because they are able to help Cheng in his daily working life and allow him to develop his business.

We can once again outline a link with guerrilla workers, recall of previous periods and still important for Cheng in order to find workers.

The relative inclusion seems to lower his important with time passes and Cheng developing his own business.

Last but not least, the fellow migrants; this inclusion appears to be extremely important at the beginning of this life-chapter, because is the one which involved Cheng in the idea of settle a firm. Unfortunately, after the quit of the business partner, this inclusion weakens.

Chapter 4: Higher-Grade Construction Company Owner

The networking commitment of previous years resulted extremely useful when Cheng decided to upgrade his business in 2002. Once again, in order to please his customers, following their needs and their preferences, Cheng opted for a higher business certification.

When the first simple classification as a "home renovation"—obtained by the BCDA's home renovation committee—became out-to-date and useless for the easiness in obtaining it, Cheng decided to push his business even further.

Anyway, in order to obtain a broader license and expand his business, Cheng was forced to meet a variety of requirements related to financial accounts, tax status and staffing levels.

None of the previous prerequisite challenged Cheng as the 15 staff people one.

Nevertheless, thanks to his ability and his acquired network he was able to obtain a temporary license, reviewed 1 year later.

Through those association members intervening on his behalf, he was able to gain a longer deadline that allowed him to fit all the requirements and obtain the desired certification.

Those situations helped Cheng in developing the ability of discovering and knowing the right person in the right position, but even more to match a personal need with a certain person able to solve it. This way of solving his business problems through the help of other people, is once again an interesting capability, which turns out to be successful in the entrepreneur's life.

The reason for the previously explained upgrade was the constant growth of Beijing's home renovation industry, around 26% each year from 1998 to 2002, which stimulated Cheng's attention.

Willing to follow the trend and to adapt in the best way his business to customers needs, he took that risky decision.

Cheng's choice was assessed on his sector experience and networking, which helped him realize how volatile and competing was the renovation market at that time. Not only customers were demanding, but also they had many channels of reaching renovators, developing an increasingly tough competition.

From here we can understand how difficult making choices was for Cheng and how many risk decision he has to face. Through analyzing the market, talking with customer and dealing with authorities, he was able to better assess the picture of the actual renovation market.

Experiencing all the four contact channels of the renovation system (i.e. guerrilla workers, supermarkets, newspaper advertisements, checking model apartments in neighborhood), Cheng was able in the late 2004 to select the best methods for his business: considering the guerrilla worker period earlier finished, we can detach that he stopped soliciting work off the street and advertising on newspapers. His job was related with supermarket, in order to keep his ties with managers and active members, and mainly with temporary onsite offices.

From this we can understand that experiencing the four different channels, helped Cheng in developing an own opinion and profitability judgment, that leads him later on to maintain or not each of the previous described business way.

In spite of all his market analysis, still Cheng was not completely optimistic on the long-term aspect of his choice: "the change in the market had not been as smooth as I anticipated".

Here is clear how Cheng keeps questioning himself on the business situation and is ready to revise his decision if wrong. Humility is extremely important in detaching possible errors and correct them before is too late.

A final important remark about Cheng is his attitude towards creativity, deception and manipulation. In fact, although not legally allowed, Cheng specialized in

subcontracting and soliciting jobs: the Beijing environment influenced him to never be a passive learner, but instead always actively intervene in shaping and developing the renovation market and his own business.

From the social inclusion related to this fourth life-chapter, we can easily understand some differences compared to the previous chapter.

First of all, the relative inclusion has weakened at such a level that we prefer to link it to the entrepreneur trough family because now it is more a familiar connection than a working one.

Family and guerrilla workers remains unchanged, while the supermarket management lowers a little bit his power; Cheng in fact explains that due to the continuous change in the business environment, the supermarket channel was not the only one through which collect work.

Another important observation regards the fellow migrant inclusion: seen his quit from the company and his reduced importance in Cheng network, we can consider him into the guerrilla workers inclusion as part of a wider group.

Finally, the association inclusion is represented with a broader circular shape, meaning that now it plays a more significant and delicate role in Cheng business; as we saw in fact, thanks to the local associations members he benefited of some delays and advantage in the business upgrading procedures.

Conclusions

Cheng's life story is a great starting point to analyze how the process of entrepreneurship could arise in every human being, male or female. In this short essay we have been able to point out the most important events and inclusions that helped Cheng in developing his entrepreneurial spirit and become an entrepreneur. We have in this way empirically tested the theories discussed during lectures, appreciating all the interesting implications and the fascinating game of cause and effects that can lead everyone, also unconsciously, to become an entrepreneur.

Chapter 8
Migrant Tailor Yuan

Wang Ran, Yan Mengcong, Zhang Pian, and Li Tong

Introduction

Mr. Yuan was born in a rural family in Zhangjiagang city of Jiangsu Province. In 1984, he went to Beijing to join the business with his elder brother. Now, he and his wife manage a tailor shop in Huixian store of Renmin University. The tailor shop is not very big, but their business is good. They have a son who is a senior in a college of Beijing. The couple lives in an apartment near the High School Affiliated to Renmin University. During this period of 27 years, the couple came through many difficulties, both in their business and their daily life.

Life Story

Chapter 1: (Before 1984): Days in His Hometown

He was born in an ordinary peasant family in the year 1967, in Shazhouxian (now called Zhangjiagang), Jiangsu Province. He is the second boy in his family, together with his elder brother. At that time, Zhangjiagang has not been regarded or developed as an industrial city; instead, people concentrate more on agricultural production, especially people in the rural area. So naturally, when he finished his primary school at the age of 13, he gave up his study and helped his parents with the works in the fields.

At that time of the rural area, going to school didn't make much sense. Earning money to support his family is the most effective way to prove a man with responsibility. Among the youth, learning to make clothes was a trend by which one can make a lot of money (5–6 times more than the average monthly income).

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As a result, many young people have chosen to leave their hometown with their skills of making clothes to fight for their lives. At the age about 18, Mr. Yuan left his hometown and came to Beijing to find his brother who has already been in Beijing for several years as a tailor.

Chapter 2: (1984–2000): Early Development in Beijing

1984–1985

Full of courage and with the dream of the "gold rush", Mr. Yuan came to his elder brother in Beijing. After his arrival in Beijing, his brother introduced him to the Party School of the CPC Central Committee to be an apprentice of an old tailor who is also their fellow-villager. During that period, he learned all the tailoring skills both from his brother and his master. By practicing the craft every day, he became a skilled tailor soon. While that time, the living conditions was not very good. He had no house to live and he had to spend all the days and nights in his master's tailor shop.

He stayed with his master for about half a year and then from one day in 1985, everything was going to change. The teachers of the trade union of Renmin University once had a conference in the Party School of the CPC Central Committee and a teacher noticed that there was a tailor shop in the party school and that there was no tailor in our campus, so maybe we could invite some of them to start a tailor shop in Renmin University. (That's because in 1980s, people usually bought the cloth themselves and got them made by tailors for a cheaper price compared with buying ready-made clothes in a shop.) Luckily, the master of Mr. Yuan decided to stay in his old shop, and Mr. Yuan has been invited to Renmin University. This gave him a great opportunity to start his own business and to start a new life. So, with the market demand and a sincere invitation, Mr. Yuan had his own tailor shop in RUC.

1985–2000

Once settled in Renmin University, he hired a bungalow and started his own business as a tailor. However, at the very beginning, of course it was very tough. His savings could only afford the rent for one bungalow, so he used a curtain to divide his room into two, one for his work, and one for the rest of his daily life. For the job as a tailor can be very tiring, he usually sat there all day long making clothes. Later, he rented a small apartment to live. But he had to move several times because of the problems with their landlords.

Fortunately, there were also the good aspects. As he has been invited into Renmin University, school provided him with many preferential terms. For example, he could pay less rent for his stand than others; he could have meals free of charge in the school canteens; etc. In 1989, he got married with his wife who is also a tailor from

Zhangjiagang, Jiangsu Province and they managed their business together from then on. And after 1 year, they had their own son. Through his tireless efforts and struggles, his business was growing better day by day and he kept saving some money gradually so that he could rent better house for living. In addition, their tailor shop has also moved from the bungalow into the ancient Huixian market of Renmin University, together with the development of the conditions and the increase of the rent.

Chapter 3: (After 2000): The Consolidation and Further Development in Beijing

Mr. Yuan himself thinks that after the year 2000, his business has entered a stable period. Since 2000, he has expanded his business scope—besides making clothes, he started the fabric processing and bedclothes sale which could bring them more profits. And with the change of the trend, less people prefer making clothes and he does more work about modifying clothes for people. In 2009, with the entire movement of Huixian market, Mr. Yuan's shop has also moved into the new Huixian market and he now rents a stand together with another businessman. Also, with his accumulation of experience, he now has a fixed supply channel—the Dahongmen Market and a fixed consumer base (mainly students, teachers and many regular consumers).

Recently, Mr. Yuan and his family moved into an apartment in the household's court of the High School Affiliated to Renmin University with a low rent of RMB 1,000 per month, which can also keep them away from the problems from the landlords. What's more, their son is going to graduate from university next year and they are very proud when they talk about him. And of course, they now have a stable income monthly.

When asked about the future plans, Mr. Yuan said that he was very satisfied with his current situation. Maybe they will stay in Beijing and continue their business as a tailor in our campus.

Theoretical Analysis

We analyze this entrepreneur Yuan from two aspect: first, the social network he construct; second, the counter social capital he get from the social network. And we will show the changes of the social network and social capital during his different life periods. The most important aim of the analysis is to give a believable explanation for: What's the dynamics of becoming a migrant entrepreneur? What capitals should a migrant entrepreneur hold?

Before the Year of 1985

During this period, Yuan's social network was very simple but basic for his dynamics of doing dressmaking business. There are three factors for the network's construction. As follows:

- Family: Parents (typical peasants), brother(have dress making skills)
- School: A common student in the school
- Village: town people almost make a living by dress making

These factors exert Yuan's idea of doing dressmaking business. Explanations:

- Family need out of poor situation;
- Poor achievements at studies in the school;
- Making dresses can earn much money and environment can supply courage for his business idea.

The social capital from the network factors:

- Emotional supply for doing business from his family
- Potential for becoming a tailor
- Messages about where the dressmaking market existed

1985–1995

During this period, Yuan's social network became more complex.

- Family: Parents, brother, Yuan's wife, wife's parents
- Migrant groups: members from the same hometown
- Apprenticeship: master worker, Yuan's brother
- Customers: teachers, students of Party School of the Central Committee of C.P.C and Renmin University of China.
- Goods provider: businessman in the cloth factory

These factors lead a power for inspiring Yuan to be stick to run the business though the circumstance was very tough.

- Marriage generated a strong responsibility for Yuan to make money for his new family, so he continued his business though in a difficult situation.
- Competition between migrant members led to an ambition to beyond them.
- Customers' demand to make dresses.

The social capital from the network factors:

- The help from wife and brother
- Dressmaking skills learn from the master worker and brother
- Many customers' trust for his skills

- Interaction between suppliers and Yuan
- Fellows in the same market share the business risk
- Primary experiences from doing business

1996–2011

During this period, with more and more actors enter to his living circle, Yuan's social network has taken on the shape yet.

- Family: Parents, brother, Yuan's wife, wife's parents, Yuan's son
- Migrant groups: members from the same hometown
- Friends: the person who gets acquainted with in Beijing
- Customers: teachers, students Renmin university of China.
- Goods provider: businessman in the cloth factory, businessman in the Da Hong Men Market
- Shop neighbors: businessman in the same market but doing different business from Yuan
- Teachers: son's school teachers
- Home owners: the person who has houses for renting out in Beijing

New changes from these factors result in Yuan's business stay in Beijing.

- In order to give a good environment for his son's grow and education, he never want to leave but stay here continue his business.
- A stable source of goods supply and customers allow him to stay here continue his business.
- Solid friendship constructed in Beijing make him being reluctant to leave but still here run his business.

The social capital from the network factors:

- Emotional supply of happy family
- Proficient dressmaking skills
- Stable and ample sources of customers and goods supply
- Stable income from the tailor shop
- The supply from friends
- The help of shop neighbors
- Abundant experience of doing business

Summary and Reflection

- In the last part of our report, we just want to talk about the typical meaning of the case we selected and raise some questions to discuss together.

- The reason why we chose this business case is that we think the experience of Yuan's entrepreneurship has reflected some characteristics of the floating population in Beijing. These people are all migrants and have no registered residence in Beijing. Compared to the local residents they have more difficulties in running business. Most of them came out of rural areas and have poor family. They have no money or powerful relationships. They even had not received higher education. But they have dreams to become an entrepreneur and earn as much money as possible. And the most important, they have a standing villagers group standing behind them. So we can see kinds of small business (or stores) they run everywhere. And villagers groups often have a far-reaching influence on the entrepreneurship. Because the recourse of relationships with local friends is limited, so they often have a strong connection with the villagers group. Sometimes we say there is a subculture among them which can determine what to do or how to do it. Just take Yuan's experience for example, we want to make an emphasize on three points: his identity, the scope of his business and the influence of his fellow groups. We think these three are the common points of the migrant entrepreneurs who are at the bottom of society.
- From the above analysis of Social capital and Social network, we have a reflection and summary about the causes and life story of Yuan's experience. Here we still raise some questions which may need further research.
- ***Question 1***: Why did he want to stay in Beijing in difficult conditions? What supported him? We have learnt he had to face many problems during his early time in Beijing. As a migrant, he had to spent a lot of money to make his son get into the local school. He and his family live in a small rented house for a long time. Living conditions is bad and he hasn't realized the dream of making much money. Why he insisted on staying here?
- ***Question 2***: What's the "restrictive factors" for him to expand business? He has run a small tailor shop for more than 20 years. Why doesn't he expand the business scope. What's the limitation to become bigger and stronger? May be the capital, the interpersonal relation, market demand, personal value or policy? Each factor can be described as his available resources, but also can be a limiting factor for him. These factors are all in a dynamic web.
- ***Question 3***: Should his wife be in the second-class status? His wife is also a tailor but almost has no decision in life. Is this a common phenomenon in China, especially in the rural family?
- ***Question 4***: Should the government consider making any policy to provide the migrant with more support and preferential terms? If the government do, what specific projects should be done to encourage the migrant entrepreneur like him? Maybe our government pays more attention to the big enterprises and does not consider enough for the small business which is not large taxpayer. But they exist everywhere in our city, we should think more about them.

Chapter 9
Restaurant Entrepreneur Mr. B

Guo Xiaonan, Li Qingzhi, Sun Jiazhen, and Hou Jie

Introduction

With the reform and opening up policies, China's economy has been soaring since the 1980s. At that time of China's society, there was a kind of all-round development due to the stagnated economy since sixteenth century. Because of the decollectivization of agriculture and the investment on industry, there was a widespread fashion for countryside people to go to work in pioneer mega cities like Beijing and Shanghai. Also, the government has given the ordinary people the permission of starting up business. Though that major industries were still state-owned, real entrepreneurs became to be active all over China. Based on the background condition as mentioned, a small group of people, with the great courage to pursuit their happiness in the business world, turned into the first wave of migrant entrepreneurs in China.

To understand how a brave man could pull through all the difficulties to become an independent business runner, we have now rely on the tales of one migrant employee of a company turned an entrepreneur who has struggled to have well control of his restaurant in Beijing.

Mr. B (who is not willing to have his name mentioned) was born in 1970 in Henan province. The material life he lived in his childhood was hard. And he didn't do well in his academic works, which made his family worry a lot. So he chose a different road to lead his life: to go to the big city searching for opportunities in 1986 when he was only 16.

There Mr. B was one of the new-comers who were defined as migrant workers. With a friend's help, he found a job in a company and learnt cooking there for 5 years. During the time, he was active as an energetic young man in the migrant group from Henan province. As a result, friends were made and mutual trust was gained. Based on the money he earned and the help given by his friends, he set up his own business in 1991, which is a small restaurant.

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Sensitive to the market of university-student-consumers, Mr. B chose to run his shop near universities. His first restaurant located near Beijing Jiaotong University. Later on, he moved his restaurant to the neighborhood of Beijing University of Posts and Telecommunications. It was not until 2004 that he finally settled his "2.2" restaurant down on the Zhongguancun Avenue. During the time, Mr. B also experienced a process of gaining more and more independence on his business. And years later, he is now a successful businessman with a group of people running his "2.2" restaurant.

Life Chapters

Chapter 1: In the Village

Mr. B was born in 1970 into a family in a poor village in Henan province. Agriculture was the only pillar of his home town's economy and all he witnessed during his childhood was the poor living condition of his family and the neighborhood.

Mr. B was more than popular among the children in the village because of his outgoing and cheerful personality. But his parents worried a lot about his academic works. Due to the poverty of his hometown, youngsters in the village were all trying to get rid of these disturbing living conditions by getting into universities. This was called "coming out of the underdeveloped districts" at that time. But Mr. B has his solution.

> I was wondering that finding a job in big cities could also be a good choice. And actually I'm a lucky man. One of my friends had already an employment with a company in Beijing when I was thinking over about the plan. He could get me a job if I would like to go to Beijing. I would never let the opportunity run away from my hand. (Interview, 2011-7-15)

Regardless of his family's disapproval, he made that brave and adventurous decision after finishing junior school studying. In 1986 when he turned 16, he turned his life-book to a new chapter: to go to Beijing. This decision doubtlessly decorated his later life with opportunities.

Chapter 2: An Outstanding Apprentice and Employee

With the friend's help, Mr. B received a job at the company. He said that he was more like an apprentice in that company rather than an employee. What made him say so was that he learnt cooking skills for 5 years in that company. Decided by his role as a man grown in an underdeveloped district, he saved most of his earnings

during the working time, which provided him the operating fund for his own business in the future. Moreover, it were cooking skills that at last equipped Mr. B to have his own business.

As a migrant worker, Mr. B also has been in closer relationship with other people who came from Henan. It is a common trend for migrant workers to get comfort from their migrant group when they are away from their hometown. This phenomenon is still happening everywhere, even in today's China, partly because of the strong tie to one's birthplace in Chinese traditional philosophy. People from the same place enjoy the comfort of your own people and they tend to trust each other more easily. So through the media of his friends from his village, Mr. B met a lot of new interesting guys in Beijing. He quickly developed a network of friends among fellow migrants from the same county. They exchanged information, helped each other to get mutual benefit and set up a complete social network. Mr. B, as he himself explained, actively making communication with the people he met in life. His outgoing personality really helped him a lot to set up his own social circle.

> It was a wonderful time for me. The salary was pretty well and I also learnt a lot from others. I'm not only mentioning about cooking, but the relations between people. . . .that kind of thing. (Interview, 2011-7-15)

We consider that on the other side of Mr. B's quite smooth life, there is something he would like to change. His "aggressive" heart was not satisfied with his life at that time. Then he pushed himself to sail further on a new lane.

Chapter 3: Debut on the Business World

According to Mr. B's description, he received a lot more severe disapprovals when he made up his mind to run his own restaurant in 1991.

> My relatives were really happy about my stable job. So they strongly disagreed with me on the decision. They thought I would lose all the money I've earned if I go into business world. (Interview, 2011-7-15)

All of Mr. B's relatives are hardworking peasants with little education and no other skills besides cultivating techniques. The only thing they knew about business was the sale of their extra crops. Their disapproval grows from the unfamiliarity and fear about business.

This time, Mr. B carried on more pressure. As in an absolutely new field, he had to be prepared to deal with the new business challenges, the operation fund, interpersonal relationships in the market and the doubt from his family. Luckily, his skills at dealing the relationships with others helped him a lot.

"Was it not for my friends, I wouldn't have got that opportunity to start this out." By saying this, Mr. B majorly meant the support he had received for his first restaurant. His friend who introduced him to the company lent his money to rent a shop front for Mr. B.

Also, one of the friends he made in the migrant group which was already in the market came to offer his help. He promised to provide the raw material for the restaurant. An experienced businessman in the market with him to cooperate will make Mr. B less possible to be cheated in the market. In this way, the restaurant would not be worrying about the supplies. Some other guy introduced him to some government official, and with the help Mr. B was formally qualified to have his restaurant operating.

Another problem is that he didn't have enough money to hire people to work in his restaurant. Luckily, his relatives helped him in time. Some of his young family members came to his restaurant to be apprentice, learning cooking skills; and they dealt with the daily stuffs of the restaurant in return. This solution solved the lacking of labor in the first stage of business.

With these friendly supports, it didn't take long for Mr. B to start up his restaurant, near Beijing Jiaotong University.

Chapter 4: More on His Own

New life in business world was a challenge for Mr. B, as he has become a courageous entrepreneur when China's economic development was on its early way to resuscitate.

Day by day, the management of the restaurant became better. Others might say that for a new comer, Mr. B is successful enough already. But Mr. B's thirsty heart was not going to stop expanding. "I'm not independent enough. I would see my first restaurant as a product of joint capitals."

With the desire to have wider business and independence, he set off to his new target. In the mid-1990s, he moved his restaurant to the neighborhood of Beijing University of Posts and Telecommunications. This was not only a move of location but a move of his role in the restaurant. With the accumulated experience in marketing, he took over the supply part of his restaurant. This was a reflection of his important transition from a restaurant cook to a company manager. Mr. B also showed his control of the restaurant by hiring staffs with the profit he earned. But as a member of migrant group, he has a special flavor of using the people who came from his hometown. Through all the miseries, Mr. B carried his restaurant to a better future. He later moved again to the place where "2.2", his new restaurant, near RUC. By this time, he no longer dealt with the cooking stuffs, but only cared about the management of his business.

Difficulties were everywhere while Mr. B was, with his unparalleled active attitude, gradually coming up with the solutions. Now, he is a quite successful businessman with a two-floored restaurant in one of the busiest district in Beijing.

Conclusions

By interviewing Mr. B, we focus on the drivers in his process of becoming an entrepreneur, and by extension, the drivers in middleman minority entrepreneurs (the type of migrant entrepreneurs we discuss here are those who moved from rural countryside to cities and established their own business). Also, we cannot neglect the role of social capital in this process.

The main driver that made Mr. B leave his hometown is poverty. Failed to get ahead in his study and dreamed of countless opportunities Beijing may offer, Mr. B regarded working in Beijing as an effective way to gain wealth. Poverty is the main driver that makes people in undeveloped rural places migrant go to big developed cities. But, what made these people, such as Mr. B and other guerrilla workers, seek self-employment instead of being employed immediately or several years after they came to big cities? As a survey demonstrated that in current Chinese society, self-employment is an important way to create jobs and migrants can earn more money in this way than being employed. Thus, in order to get more money is the most important motivation that makes Mr. B as well as other migrants to be an entrepreneur.

Several years after setting up his first restaurant and having accumulated certain capital, Mr. B moved to another place and formalized his business. The driver behind this, we regard, is human nature to make future development and gain more profit.

Social capital played an important role in helping Mr. B realize his dream of becoming an entrepreneur. Firstly, it is because he has friends who were already working in Beijing that helped him set his first step in this big city. This is also the case in those guerrilla workers. Secondly, Mr. B borrowed money from his friends and relatives as initial capital and used his folks' relationships to form his ties with suppliers, thus gradually set up his own business. What also need to be noticed is that, the workers Mr. B tended to employ are also his folks. Identity theory well explained this phenomenon. Social identity theory asserts that group membership creates in-group categorization and enhancement in ways that favor the in-group and they also tend to lay more trust on in-group members. So, folks are of vital importance in migrant entrepreneurs' social capital.

An extraordinary social capital of Mr. B is his ties with college students. He set up his restaurant beside universities and sponsored students' activities, regarding college students as his potential customers.

According to "Middleman minority theory: minorities find economic niches in certain under-served migrant communities, due to their inner orientation and internal solidarity. Achieve success in inner-city environment with high concentration of immigrants and social networks and cheap services." This theory applies well in the case of the entrepreneur we interviewed. Migrant minority tend to set up business that needs little initial capital, low cost, low technology and easy to get on but can gain reward in a short period of time. The places they chose to do business are

usually under-served migrant communities and their potential customers are lower-class citizens. The eager for wealth and a likelihood of discrimination are the main drivers that make them an entrepreneur. Once their business become bigger and bigger, they will become real, successful entrepreneurs.

Chapter 10
Less Successful Entrepreneur Meng

Zhu Yunqi, Zhang Jianxu, and Xing Xiaobin

Introduction

Meng Lingqun, a 27-year-old man from Xinji, Shijiazhuang, Hebei province, was born in an ordinary rural family, which was not much prosperous. At the age of 18, he came to Beijing alone to earn his life. At first, he worked in a tourism development company, mainly in charge of designing tourism projects. And then, he managed a few stalls by himself, which inspired the idea of his own business.

In 2005, Meng invested about RMB 60 thousands to join a chain video store, and purchased his store near Dongzhimen. The video store was just on his own management until Meng's brother and one of his friends joined later.

With his business raising up gradually, Meng began to resell pirated CDs at the same time, which led to the investigation and punishment of police finally and declare that his first attempt came to a failure.

But Meng didn't give up his dream after the failure. Nowadays, he is engaged in sales profession in an estate company to acquire management knowledge and gain experience in entrepreneurship, with the dream of creating his own career again.

Life Chapters

Chapter 1: 1983–2001

Mr. Meng comes from Shijiazhuang, Xinji city, Hebei province, a rural family of five. His family mainly lives on farming. However, the farm work only can offer this family a fundamental supply. Meng did farm work at home in his childhood.

Not all the challengers will gain success on his way to start his own career. For example, Mr. Meng, an entrepreneur we interviewed, is a man who failed in his first attempt. Last Saturday, he told us his story about entrepreneurship, which inspired us a lot.

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Besides farming, Meng's father raised ducks in the leisure time and sold them to the urban area to earn money. When he was young, he had a dream to have his own enterprise so that he had no need to worry about whether it was harvest or not. Besides, he had great admiration for business legend such as Bill Gates. The dream of being an entrepreneur has rooted deeply in his heart when he was young. So after the graduation of junior high school he quit his study in the senior high school, then, went to Beijing, dreaming to accomplish entrepreneurial ambitions.

Chapter 2: 2001–2003

When he was 18, he went to the strange city, Beijing. Although he had relatives here, he did not resort to them, instead, Mr. Meng found a job in Qinglongxia Tourism Company, which develops tourism project in the district of Qinglongxia. He had a good time there, but he was not satisfied with the existing status, although the company provided his accommodation free. According to his words, at that time his boss treated him well, often gave this young man some suggestions and business knowledge which gave him great help in the future, which he treated as the biggest benefit.

Though he was so lucky to meet a kind boss, however, because of the consideration of the monthly wage which was only 4 or 500 RMB, the boring work and the limited space of developing, he could not wait to change. Therefore after working for nearly 2 years he resigned from the company.

Chapter 3: 2003–2005

Meng's hometown, Xinji, is famous for its fur products. So after leaving the company, he decided to sell the leather handbag to make a living. At the beginning, he planned to rent a shop, but the rent was not affordable price for him, at that moment, he had to sell on the side of the road. However, his goods did not attract enough tourists to make ends meet. Therefore, he made a decision, that he sold all his products RMB 5 each which the cost of products is RMB 10. Finally, he sold all commodities and announced the failure of the first attempt.

"I never give up my dream to be an entrepreneur" as he said, just several days later, he recovered from the depression, he tried again.

At that time it was a common phenomenon to open a street vendor near or at the subway entrance, or shopping malls, he thought that he could sell anything to make a living. At first he sold umbrellas, after a small success, he turned to sell kites, which was popular, especially for children. All of these helped him accumulate some money for trading. He co-operated with a business man in the supermarket who was willing to offer him a place to sell cigarettes and share the profit and risk simultaneously. This co-operation inspired him a lot and made him the first pot of gold, nearly RMB 50,000.

Chapter 4: 2005–2006

After inspecting for a long time, he chose to rent a shop near the Dongzhimen bus station which the location was good at business, he started his own store, selling CDs, DVD, small speakers and other audio-video products. Mr. Meng took in charge of all the details about the store. As a result of this, when he went to a suburban market to purchase products, the video stores had to close for 1 day. Although his friends and brother lent him a hand when he was busy, most of the business was still operated by Mr. Meng. With his hard work, the business of the video shop was booming and the profit was not bad.

But the shop had a very serious problem, the copyright. Some of the discs were legal to sell while many of his discs were pirated. He had heard many times about the actions of governments to confiscate the pirated CD and close the illegal video store, but he paid little attention. In the summer of 2006, the government banned all the illegal culture public place, which was also included his video store. "If someone could remind me of the problem of copyright, I would not get so much lost" he said with a sigh. After the shop was forced to close, he paid the fine and sold all his legal discs as the price of rubbish.

Chapter 5: 2007–2010

After the failure, Meng considered many other projects to invest, but didn't put any of them into practice because of several unavailable reasons.

At last, he decided to find jobs in financial institutions because stocks were very popular at that time and he wanted to know more about this financial instrument. But he found it didn't fit him soon, so he left the company and joined a real estate company, in which he was engaged in sales. He enjoys the work because of not only the salary which is higher and supports him a better life but also the pleasant relationship he built with his boss and his co-workers.

He said he really learned a lot after working here. The useful experience and the knowledge on Management made him reflect the previous error.

Chapter 6: 2011–Now

After the spring festival of 2010, Mr. Meng found a job in Real Estate Company. The wage was just enough to pay the rent. He told us that the payment was not the reason to join the company, the most beneficial thing he could get was the knowledge and experience. There he got some real 'hard' skill which he could live on, and some business knowledge which could implement the relevant blank in

his mind. He told us that once he had a great opportunity or great idea, he would take into action without hesitation. Compared with the young guy when he first came to Beijing, "I'm more confident and more sophisticated." he said to us.

Conclusion

Through the interviews conducted by us students, Mr. Meng proved to be one of those excellent people; as well as them, he is full of passion and persistence. Having a sharp eye for market demand, Mr. Meng owns particular characteristics, which are found among many outstanding Chinese entrepreneurs. However, he is not perfect as we found his deficiencies of professional skill and knowledge in management. What matters more is his insufficiency of certain social relationships, which is called social capital and plays a key role both in the development of individual and of enterprise. We hold that Mr. Meng is a representative of most Chinese entrepreneurs as they face the problems caused by these deficiencies above; we suppose the research about Mr. Meng would contribute to the study of Chinese entrepreneur.

Let's talk about the details of social capital which Mr. Meng is based on. Once he had a difficult time, he even could not afford to rent a house. Once he had a great time, he had his own career in the central district in Beijing. No matter if he is successful or not, almost all of these attribute to the social capital.

Before 18, the time before he went to Beijing, there are two factors that breed his dream of being an entrepreneur. One of them is the hardship of farmers. In China, being a farmer is not a job of great profit. Besides, you have to do a lot of labor work and could not be accepted by the so-called citizens. Compared with citizens, the children of famers have fewer rights and chances to get achievements. Another reason is familiar with us, especially Chinese students, about the legend of Bill Gates. It makes us so surprised that Bill Gates becomes one of his social dynamics and it really is.

After he became an adult, he went to Beijing alone to realize his dream. Just like described above, he didn't do the start-up when he arrived the new city. No friends, no money, no project, no experience, he lacked all of the essential material to do his own business.

So, he got a job in a tourism company. There he got three basic things that were beneficial to his dream: some basic skills, some trade knowledge and friends (some of which became his partners later). When we asked why he left the company, he told that the job was so boring and meaningless that not only he could not get useful experience, but also he could not accept the bad living condition. In his deep heart, he was not a person who was satisfied with the existing state. So he determined to do his own business. After contacting with his relatives in Beijing, he just got some support in spirit which was of little help. Then Mr. Meng resorted to his family members. Finally his family members gave him some advice and offered him some money.

Though he worked at the company for 1 year, no doubt he could not get sufficient network and human source. At the beginning of doing retail business, he even could not afford the cost of renting a shop. It was obviously that a lack of social capital made an embarrassing situation. He sold all his goods in a very low price and failed when he took his first step.

But later he found another salesperson in the shopping mall who was pleased to offer him a place to sell cigarette and share the risk with him. This sort of thing encouraged him a lot and began to try to sell some other things. Besides, because he has a good relationship with police, he never came across big difficulties in operating. All of these relations helped him to earn his first pot of gold.

Fifty thousand made him have the courage to try the start-up. He thought the Goddess was close to him. Surprisingly, the number of staffs of the store was still one, himself. He forgot his network again. The result of this was that he had to close his store when he went outside to purchase commodities. After realizing that, he convened his brother and fellows he knew in the company. Seemingly, he understood the importance of use of social capital. In fact, the fellows just worked for him and got paid each month. None of them alerted him about the serious result of ignoring the legitimacy of business. Finally, he had to pay the penalty and closed the store.

We can see a big improvement from the experience of Mr. Meng. But the lack of network is still a problem he has to face. He told us he realized the shortcoming and tried to improve the ability to operate his own social capital.

Wish him good luck!

Part III
Elements of Entrepreneurial Identity

At this stage of our research, we have discovered a number of recurrent aspects in the stories of our entrepreneurs. Each chapter of Part III focuses on one of these aspects, providing rich information about the historical cultural background of that feature. These chapters are laced with shorter and longer relevant excerpts of interviews with entrepreneurs. This is the section of the book in which the entrepreneurs will take the lead. Although we have to translate their stories to make them accessible to readers who are unable to read Chinese, we have attempted to retain as much as possible of the original flavor of their stories by using literal translations (sometimes sacrificing ease of reading) and ample notes about typical words and cultural background of key terms.

Moreover, this chapter also displays the practical application of our the research methods explained in Chap. 2. Many of the excerpts from interviews are accompanied by an explanation of why certain questions were asked, how researchers can pick up cues from a stream of information, how researchers can covertly steer the course of an interview while not compromising the premeditated nature of the entrepreneur's story, etc.

Chapter 11
Family

Core of Society

The institution of family is the core of Chinese society. This is a fact that has long been realized by the Chinese who hold the family bonds as sacred and honor them accordingly. The traditional Chinese family has a hierarchical order with the man as the head of the family, the bearer of the family name, who is burdened with the responsibility for the family finance. This responsibility grants him complete authority and the final decision power in all affairs of the family.

This perception of the role of the family in the society is partly based on Confucianist perception of (an ideal) society in which all people are aware of their position in society and act accordingly. Confucius' basic societal relationships include father – son, which confirms directly that the father has a higher position in the hierarchy and indirectly confirms the dominant position of men. Chinese culture is patrilineal in nature.

Within Chinese families, elder members have the most authority and age commands respect. Chinese culture operates under the notion of filial piety. Filial piety means that the older people within a family are entitled to the respect by the younger family members. Another consequence of the strong position of the patriarch in Chinese culture is that it emphasizes reverence to ancestors that have passed on, in particular males.

Whereas in Western languages terms are broader, such as uncle, aunt or grandfather, Chinese culture gives names that are more specific. For instance, a person's father's older brother is referred to with a different term than the younger brother. Each position within a family carries a specific name as a sign of position to that family member in the hierarchy.

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Family as Basic Unit of the Economy

The position of the family was so strong, that it was also a basic unit in the traditional Chinese economy. In the countryside, farming was a family business. This applied to both independent farming households and land owning households, that leased the use of their land to tenant farmers. The head of the family, typically the eldest male, was the father-manager of the estate. The concrete tasks of managing were delegated to members of the family. In the urban regions, workshops, trading firms, pharmacies, etc., were owned and operated by families in a similar fashion.

Individual people belonged to their families, they were not independent economic subjects (Dutton 1998, p. 28). As a result, the family relationships and employer – employee relationships became highly intertwined. In terms of SI theory, many 'employees' of a traditional Chinese work organization had strongly linked multiple inclusions in their families and in the family business. You could be your father's son and simultaneously the chief executive of your father's business. Business organizations, rural and urban, would also hire people from outside the family. Farmers could hire farm hands on a temporary or more permanent basis, for a salary. Urban entrepreneurs would hire apprentices to learn the trade and work for their master, until they would start a business of their own, which often coincided with the foundation of their own family. Long term hired hands and even more so apprentices were often regarded and even addressed as if they were members of the family. A real son of a carpenter could address his father's apprentice as 'brother'.

Dutton refers to the resulting economy as a 'natural' economy, an economy in which organizational relationships were very often matched with natural (blood) relationships (op. cit.). Such relationships were extended outside the household. When a Chinese patriarch – business owner could choose between a relative or an outsider for purchasing raw materials, selling products, etc., the former would usually be preferred. The development of this natural economy may very well be an important cause behind the problem of the Great Divergence, discussed in Chapter 3. In Europe the mixing of ethnic groups since the collapse of the Roman Empire, the endless wars that Europeans fought, constantly redrawing the map of that continent formed a striking contrast with the mono-ethnic development of the Chinese nation. Where European families were regularly torn apart by wars and other social upheaval, Chinese families remain tightly coupled social groups.

The importance of the family in society and economics is also reflected in the use of the word for family (*jia*) in compounds and as measure word. The Chinese word for 'state' is *guojia*, literally: nation family. A producer of something is called a *changjia*, literally: factory family. Even a specialist in a certain academic field is denoted as a family, rather than an individual. Biology is *shengwuxue* in Chinese ('life thing study'). A biologist is then: *shengwuxuejia*, literally a 'biology family'. It as if the fact that one has become such a specialist is not only due to your own individual efforts, but at least part of the effort invested in you by your family. Chinese nouns can only be counted by using measure words, like 1 kg of sugar in

English. Nouns denoting places of work like company, factory, hospital, research institute, etc., are all typically counted using the same word *jia*. A workplace in China is like home and your colleagues like family.

Family = Region

In the chapters of Part II, we have discussed the strong emotional relationship between Chinese and their home region. When we combine that with the at least equally strong links Chinese have with their family, the result is a family that sits on the same piece of land for a very long time, sometimes even centuries. The extended family was regarded as so important in Chinese society, that many villages all over China have grown around a single family. For thousands of years, people in rural areas have been living separately in small villages. In many cases a village constitutes an extended family. Most or all of the villagers share one family name and have the same ancestors. This is reflected in the names of such towns, cities and districts of larger cities, like:

Name	Meaning	Explanation
Majiacun	Ma family village	A village in Shandong
Shijiazhuang	Shi family estate	The capital of Hebei province
Xujiahui	Xu family gathering	A business district in Shanghai, located on the place of a former mansion of the merchant family Xu, which attracted business people from various regions, hence 'gathering' (Peverelli 2000)

Family Ties as Social Relations

Inside this big family, members are labeled with specific kinship terms according to their age, generation, sex, and other factors such as marital status. They can never get confused about their relations with the other members, due to the large number of specific terms. There is no general expression for 'brother', but one for elder brother (*ge*) and younger brother (*di*), etc. This is continued in designations for more distant relatives. For example, if one's father has two elder brothers and two younger brothers, you can call them, respectively, first *bo*, second *bo*, first *shu* and second *shu*.

In villages and other small tight communities, the family terms are often used to people who are not your family members, but with whom you have developed personal relationships that resemble (feel) like those with members of your family. We could say that such a village or community is perceived as a family. In the broad family (the village or community) the ordinal number becomes even higher.

The most frequently used terms in this respect are *ayi* and *shushu*, usually translated in English as aunt and uncle, which are nowadays more often used by children to address female respectively male members of a community you belong to (are included in), whom are considerably older, typically a generation, than you are.

Close colleagues, friends, etc., will also often address one another with terms referring to siblings. A woman can refer to an older colleague with the surname Wang as Wang *jie*, (elder) sister Wang. One of the authors is regularly introduced to others by a Chinese friend as 'my (elder) brother' (*wo ge*). This gives a signal to the third party that the relationship between the introducer and the introduced is very tight. However, it also indicates that the relationship between the introducer and the third party is quite friendly as well, as you only introduce your close friends to another friend. Monitoring the use of family terms is therefore an important issue in Chinese discourse analysis.

Family as Incentive for Entrepreneurship

It has been reported a number of times in this study that migrant entrepreneurs from poorer rural areas to the relatively affluent urban regions make a large section of private and small entrepreneurs is China. They are typically young people who, after graduating from middle school (the Chinese term for general secondary education) set out to the big town to make a fortune, but simultaneously to alleviate the poverty of their family. The following snippet of interview from the Anhui construction worker in Beijing phrases this perfectly.

> My sole reason for quitting school and becoming a migrant worker was to make money. My purpose is to make enough money so I can help alleviate the poverty of my family. Now as I come to think about it, that was pretty feudalistic thinking on my part because all I wanted then was to help lessen the burden on my parents. . . . I did not give any consideration to myself. I didn't think hard about how to develop myself [fazhan ziji] and in which direction. (Lei 2005, p. 4)
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> The language reflects the thinking of someone who had already spent a few years in Beijing and is able to engage in self reflection about his motivation to leave his village. He applies a term from communist political parlance (feudalistic) to that motivation and believes that would also have been justified to think a little about his own interests.

The number of similar stories that can be noted down from migrant entrepreneurs in China is endless. The show considerable variation, but the core is always the same: making enough money to drag the family above the poverty line.

Family as Stepping Stone

A recurrent theme in the stories of entrepreneurs we interviewed is that 'a relative' who had already set up shop in a big city had persuaded, invited, etc., them to join him. Tailor Yuan went to Beijing, because his elder brother was already there, engaged in the same occupation. Supermarket owner Wang and home renovator Chen had unspecified 'relatives' working in Beijing.

An interesting case is the tried-everything entrepreneur Meng. He claimed that, although he had relatives who were already working in Beijing, he did not really have contacts with them. While there is no reason to disbelieve his claim, it seems very likely that the fact that relatives had preceded him in finding fortune in Beijing was an influential factor to his decision to do the same. Influence from other inclusions can happen subconsciously. When still in your home town, you can be regularly exposed to your parents and other relatives telling stories about 'Uncle U' in Beijing. Uncle may visit his home town for holidays. Like Spring Festival (Chinese New Year). Chinese domestic emigrants, like international emigrants, have a propensity to focus on the more successful aspects of their endeavors and will try to hide the failures. They may add a few stories about all the hardships they have to endure in that big unfriendly metropolis, but that is usually done so to emphasize the extent of their successes. Such stories easily develop further into narratives of the hardship in the big city and the rewarding feeling of making it in spite of those difficulties. You may not particularly like your uncle, but you may feel attracted by his stories, and try to follow his footsteps.

Those who do link up with their pioneer relatives usually benefit from their networks and skills. Tailor Yuan had already learned basic tailoring skills in his home town. His elder brother worked in Beijing as a tailor and introduced Yuan to a master. Chen's relative was working as a self employed home renovator and Chen learned the tricks of the trade from him from scratch. Yuan slept for a while in his master's shop and had his meals with his master, while Chen was put up in the single room rented by his relative, also sharing his relative's meals. Both hardly earned an income that initial period in the big city, but also hardly had any expenses. In the mean time, they acquired valuable skills, that would enable them to set up a business of their own.

Family as Burden

Exactly because family relations are so tight in Chinese culture, they can become to be perceived as stifling, as blocking ones individual development. Sending money home to ones parents or other family members is generally not regarded as such, but obligations to particular relatives can become a burden. Numerous entrepreneurs start up their business with the aid of one or more relatives. These relatives may not

always require to receive remuneration for their help, but usually expect that the entrepreneur return their favor with other favors.

Chen, the migrant home renovator from Anhui, started his career in Beijing as the apprentice of a relative. He learned the trade from that relative, who also gave him a place to sleep and his daily meals. However, at a certain moment, he started to feel that the relative was keeping him at arm's length from the market, thus blocking his making any further progress. When Chen told the relative that he intended to start his own business after a year, the relative threatened to call his parents. Chen indicated he was not impressed.

> I wanted to leave him after just a half-year. By then, I had gotten to know many people so I knew it wasn't difficult to be on one's own. I wanted to work on my own because I wasn't used to being ordered around by someone else. But my master begged me to stay because he said that I was his first apprentice, and that his reputation would be damaged if I quit in the middle. . . . Because he was a relative, I decided to stay to finish my one year term . . . but this was a sacrifice I made for his sake. My relationship to him was not one of partnership, but subordination. (Lei 2005, p. 5)
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> When interpreting this snippet one must again be aware that the interview was made a few years after the reported happenings, when the entrepreneur was able to reflect on his own behavior and motivations.

This incident is especially interesting, as it involves two types of family inclusions of the entrepreneur: the family inclusion and the relatives or clan inclusion. The family inclusion, shared with ones parents and siblings, is much tighter than the larger clan inclusion. When Chen indicates that he wants to discontinue his apprenticeship, the relative tries to threaten him by invoking Chen's family inclusion. This does not work fully, but it does make Chen decide to stick out the 1-year term that was agreed upon with his relative.

This story corroborates other reports of family relations that are less than welcome for young Chinese who seek to further themselves in the more developed regions. Ching (1997) reports that people from the same village in Jiangxi are employed as migrant workers in the same company in Shenzhen, Guangdong. Young girls complain that an uncle and an aunt who are also working in the company regularly spy on their activities, and when deemed necessary, report those activities to their parents (op. cit, 124–125).

Family as Impediment

Although family inclusions are overwhelmingly a positive factor in Chinese entrepreneurship, we can occasionally encounter examples of the opposite: family relations that discourage or even block certain entrepreneurial activities.

In the case of the home renovator from Anhui, his parents at first resented his move to Beijing, because they wanted him to make a career in local government organizations. The felt like that, in spite of their son's motivation to alleviate their poverty. The case history does not discuss these details, but stories like those noted

by Ching (1997) quoted above indicate that parents of young migrants regularly use older relatives to control the activities of their children. We may therefore assume that the fact that their son would be working as an apprentice for a relative in Beijing was a reassurance that, although they did not approve of their son's plan to move to Beijing, they did not actually try to deter him from going.

Textile entrepreneur Niu from Tianjin was in big problems at the time of our interview with him. His business was deteriorating due to changes in his business environment. However, while he still had sufficient business stamina to try to revive his operation, his main problem was that his daughter, his only child was not interested in taking over the business. His most emotional statement during the interview was:

> The family planning policy is bad for family enterprises. If only I had two sons
> I.e., one for the daily management and one for dealing with the bureaucratic procedures.

When we interviewed him, his wife had moved to Canada with their daughter. He would regularly be in Canada as well, but was still reluctant to close down his business entirely. Eventually, he reckoned he would also live in Canada permanently and start a business or find a paid job.

Family as Narrative

Family is a major influential factor on the lives of most people in any society. In China, where family ties are extremely strong and family members are commonly regarded as ones most trusted relations, this applies even more so. Our interviews with entrepreneurs therefore usually start with triggering the interviewees to talk about their early years. Even if we do not so, most Chinese interviewees will introduce their most direct relatives (parents and siblings) anyway. Internet entrepreneur Du is a good example of the latter. When we asked where he was born, he replied that he was from Sichuan province, but then immediately started to talk about his father. This story is fascinating as well as exemplary for many aspects of the family influence in Chinese entrepreneurship. We will therefore provide the story and our analysis here in full. To improve comprehension, we have divided the interview in several sections. After the literal translation of a section and comments on its contents, we will give details how this interview was conducted and how we occasionally steered the interview to avoid repetition, obtain more details on a certain topic, etc. More information on such interview techniques have been explained in Chapter 2.

> My father is a rather early entrepreneur from after the beginning of the economic reforms and the liberalization of the Chinese economy. He started in 1993. The history of that time is rather legendary [chuanqi]. My father is one of the oldest intellectual youths after 1950. Later he became a worker in the city. Later in 1977 he enrolled in university through self-study, in the Sichuan College of Industry. After graduation, he returned to the factory to produce agricultural machinery, like oil presses, rice millers, etc. He did this his entire life. He has never left. It used to be a big and medium size state owned enterprise, with more

than 1,000 employees. In the 80s a plant of such a size was frightening. After that it remained operating at a loss. My father was at first engaged in technology, later he became an engineer and even later a workshop director in charge of technology. But the factory director was never satisfied with him; he always kept him down and never promoted him. My father himself could not sit still. He went out to look for odd jobs, like lecturing, because he could speak well. Later in 1992, he started to think of starting a business with a bunch of friends. At the time it was rather early [for private business]. Later they had already secured [quanhao] a factory and bought equipment, when the government contacted him [zhao ta tanhua] saying that the plant was not profitable, they wanted to reorganize. The municipality said they had set up a reorganization team, that did a survey among the people and nearly all people in the factory recommended him, very odd.

Du expresses his admiration for his father by recurrently pointing him out as 'one of the oldest …' or 'one of the earliest …'. He perceives his father as a pioneer. Although the factory director did not like his father, most of his colleagues apparently did. They almost unanimously recommended him as the one to lead the reorganization. However, ever the fact that he was able to enroll in college in 1977 means that he was recommended by his peers, as that was the only way to enter university in those years.

This part of Du's story contains a number of politicized expressions. Du does not seem to position himself in the periphery of society as many private entrepreneurs do, but as someone who is born and raised in a family that is part of the mainstream of society. He starts this snippet with a standard phrase referring to the beginnings of the economic reforms. Also the use of the phrase *zhao tanhua*, literally 'finding someone for a talk' to relate the way the municipal government contacted his father, indicates a certain pride that his father has caught the attention of the government.

During the interview, we wanted to make Du explain his expression 'very odd', by suggesting that the broad recommendation his father received was because he had been so active outside his own factory. Du denied that.

That is not really the case. It could be because they cooperated with another factory. The people with whom he cooperated outside were actually the senior engineer and a vice-director of that factory. The senior engineer was his master [shifu]. So he [the senior engineer] was in fact the elder, everyone was following him.

The 'bunch of friends' alluded to earlier were now given an identity. Here, Du once more reveals himself as positioned in the mainstream of society, a little conservative even. While his father has so far been depicted as the subject of the story, Du is now suggesting that his father was actually following his master. It is more likely that Du's father was the driving force behind the venture they were trying to initiate. However, in accordance with the Confucian tradition, apprentices need to honor their masters. Du obeys to that social requirement by positioning his father as following his master. Stating the opposite, that his father had persuaded his old master to following him would have sounded inappropriate.

To further this line in the interview, we suggested the in fact Du's father had lured the all employees from that factory to work for them. Du again refuted.

That was not really the case. The workers in that factory were all newly hired. They [his father and his friends] had not taken away anything from the factory. It was all the technicians that ran away [pao] with him. The factory was not making any profit, they could not make any money, there was no other way.

This section of the interview is marked by the use of rather colloquial expressions. *Pao*, 'to run', is an expression used to denote people leaving an environment of which they are supposed to be part of. Such an environment can be a family, but also a work unit (*danwei*). This again reflects Du's conservative frame of mind, as he suggests that these people 'belonged' to their factory and that their leaving it was like children running away from

home. This explains why he uses repetitive phrases to explain that they did so, because they really did not have an alternative.

Du continued his story by turning back to the government's request to his father to lead the reorganization of his original factory.

Later the municipal Party Commission contacted him [zhao tanhua]. He said it is OK to make me factory Director, I can guarantee that we will operate at a profit within a year, but there is one condition, that is that all [reorganization] Group members will be determined by me, you cannot interfere at will. The only aspect on which you can interfere is that you can point out a Vice-Party Secretary.

Although this section may sound rather rebellious towards the municipal authorities, it actually is not. Du's father shows that he is willing to stick out his neck, but wants reassurance that the authorities will not interfere. However, he knows very well that they cannot make an absolute guarantee. He therefore leaves them one position for them to fill. This is a picture of someone who is ready to show initiatives, but within the existing perimeters.

However, the fact that Du's father left the position of a Vice Party Secretary open, rather than that of the Party Secretary, was intriguing enough for us to ask for more details. We asked who the Party Secretary was.

That was him [his father]. And at first when he became factory Director, he was not even a Party member. He first became a Party member, and after a the change of politics, he became the Party Secretary. . . . He could enter the Party at first, because he was criticized [pidou], but later he was rehabilitated.

From our knowledge of Chinese practice, we were surprised to learn that Du's father had not entered the Party earlier. We tried to approach this by inquiring after his father's teaching experience. Teachers and teaching, even during the Cultural Revolution period, have always had a connotation of superiority in the Chinese perception. Even though many teachers of the old system were severely criticized in those years (*pidou* is a typical expression from that period, combining criticizing [*pi*] and fighting [*dou*]), the new teachers (or those old teachers who were able or willing to adapt to the new requirements) were still attributed a certain social status. Party membership was almost a requirement for being allowed to teach in those turbulent times.

He has taught, but it was never recognized. All those turbulences in the university . . . in the beginning the leaders of the workers were engaged in philosophy, Marxism-Leninism. They taught local Party secretaries. He did this in his early twenties, not for making money. This bunch had certain knowledge, of philosophy, literature, etc. Some of them later even became principles of Party schools.

Here, Du is assuming considerable historical societal knowledge on the part of the interviewers. He is apparently alluding that his father had been engaged in the provisional study and education activities established by 'workers' during the latter half of the Cultural Revolution period. Workers who had displayed allegiance with the Party line of that moment could be taken away from the regular jobs and put to work in this type of 'schools'. Some of these schools were designated as 'universities' [*daxue*].

At this point we wanted to turn the focus of the interview back to Du's father's technical education. We achieved this by asking how all these humanities studies were connected to the Sichuan Industrial College.

No, no, this was before he went to university, as a worker, it was all self study. His language abilities are very strong. They say it is hereditary. My father, Jin Jing has seen him, has a great literary talent. At first he wanted to study literature, or philosophy, at Peking University, but he was not recommended, therefore he started to learn technology. Later he became factory Director and Party Secretary and the factory turn loss into profit within half a year. In the following year the profit was again double that of the first year.

Du once more assumed background knowledge of political practice of the time. During the Cultural Revolution, one did not apply to go to a certain university, but one was recommended by ones co-workers. Earlier in the interview, Du has already indicated that his father was entangled in disputes within the workers' 'university', which probably made him less eligible for such a recommendation. His dreams for studying at Peking University therefore could not be realized. At that time, technical studies were safer, because they were politically neutral.

Du's father returned to his original factory as Director, made his former master Chief Engineer, and appointed two Vice-Directors in the period 1993–95, he transformed the factory into the top in its business in China.

They [the company] became the only famous enterprise entrusted by the Ministry of Machine Industry. My father reduced the number of employees from 1,000 to 600. The profit doubled each year and I estimate that it now exceeds RMB 100 million. They changed into a shareholding company in 1997. He [Du's father] was very considerate for the people under him, therefore he hardly has any shares. Before, some people suggested that they should seek listing, but that was difficult to realize, all employees held shares and he held less than 1%. So starting in 1997, I began to muddle along [hun] with him, like management work, every day I accompanied him to see government leaders, business friends including all kinds of CEOs. Because he is quite influential in the region, the enterprise went up every year, it was the most profitable in the region.

Du's sudden shift of focus from his father to himself is notable. It is done at the moment in his story that he is relating his father's main management mistake: not securing a majority shareholding. Although Du does not refer to it as a mistake verbatim, he clearly indicates that the natural next step in the development of the company, going public, is impeded by the workers who prefer to stick to their private shareholdings, than agreeing to a risky IPO. Then enter Du as a kind of apprentice of his father. This by itself follows a very old Chinese tradition: the father grooming the son to be his successor. Du is belittling his contribution by using the colloquial verb *hun*. This literally means 'to mix', but is also used to refer to going along with someone in a rather haphazard ad hoc manner. Apparently, the first item on his father's grooming agenda was introducing Du to his high level network. Du then ends this section of his story by returning to his father's success. He seems to attribute his father's success to his ability to create strong networks.

As interviewers, we picked up Du's strong reference to high-level contacts, including government officials. Local Chinese governments usually make sense of enterprises in terms of the tax they contribute to the income of the government, or phrased differently, the contribution to the system that pays the salaries of the officials. We therefore triggered Du by a short suggestion that his father's company was a 'big tax payer' [*na shui dahu*], a standard expression for a major local taxpayer.

It is not really a big taxpayer; all the money is given to the employees to build houses. Now basically all their employees can buy houses for a price lower than the market price. For example, at our place a house costs more than RMB 5,000, but building it on the factory

grounds it is sold to employees for RMB 1,000, or 700. The remainder is paid [tao] by the company.

Du subconsciously links his father's success to his abilities to ensure a broad support among his employees. He accomplishes this by distributing the company's shares among them, and allowing to buy houses cheaply. He uses the verb *tao* to refer to these payments. Tao literally means 'to take out', but is also more specifically denotes taking out money from your own pocket. Using this word emphasizes the generosity of the company (his father) towards the employees.

As this core occasion for the interview was Du's entrepreneurship, we wanted to divert the focus from his father to Du himself. To create a smooth gradual shift, we inquired after his father's retirement status. Du replied that his father couldn't retire [the business cannot do without him yet]. We did not need more details as to why his father was still indispensible to the company, so we continued our search for a shift to Du himself by suggesting that he would someday succeed his father.

I can't succeed him. He is not a big shareholder. They need to hold a shareholder meeting, but the shareholder meeting is not able to let him go, therefore I feel that my entrepreneurship is directly related to me following him from my childhood. Because the information he imbued [guanshu] me with is about how develop the enterprise using a good attitude, how to manage well your own relations with the enterprise. Time is not there yet, but actually when you really want to engage in education, regardless whether it is on the internet or in real life, you will always need to link up with the government. As for the government, I am not afraid, first because I have been influenced from my childhood, and secondly because I have considerable relationships in the government.

This final section of this chapter in Du's life story places his father in a difficult position. On one hand he is revered as a capable and trusted leader, but on the other hand he seemed to be literally tied to the company by the fact that he is a minority shareholders and that the employees (all shareholders) do not want to see him retire (yet). From a legal point of view, he could demand to be retired, obviously, but in the cultural context this could have serious consequences for the quality of his life. He therefore needs to wait until a majority of shareholders is ready to let him go. This is also the section in which Du finally explicitly refers to his father's influence on his activities as an entrepreneur. He uses the verb *guanshu*, which literally means 'to poor' and is used to refer to a very forceful way of teaching, hence our translation 'to imbue with'.

We can now discuss the way in which his father('s story) has influenced the entrepreneurship of Du. Du himself is not very explicit. However, the fact that he volunteered quite detailed information itself is an indication that he perceives his father as a major influence.

Using our general knowledge of society, we can expect that all the above related events will have been discussed during family dinners, etc. Due to this social practice, the family is a major source of influence for basically all people who have been raised in a normally functioning family. However, apart from mere discussions, the changes in his father's life, in particular the change from employee to factory Director, must also have affected the daily practices in his family.

We just alluded to the family dinner. We can expect that as soon as Du's father became the CEO of his company, he ceased to be a regular participant in family dinners. Du already indicated that one of his father's core activities was visiting government officials and other company CEOs. In the Chinese setting, this would

mean frequent dinners in restaurants. Later, Du started to accompany his father on his networking activities. In fact, this particular interview started with a lunch in a restaurant and was continued in a coffee shop, on a Sunday afternoon, arranged on Du's own suggestion. Du has become accustomed to a life in which every day is a (potential) working day and any hour of the day a (potential) working hour.

Du praises his father's language skills, both oral and in writing. He has apparently inherited these skills, as he started learning English at a young age, and learned very rapidly. He mentions that his father at a rather young age used to lecture to leaders for free. He does not so phrasing it critically, but a mild critical note can be seen between the lines. He has also opted for a lecturing career, but not for free. In fact, Du's enterprise has created synergy by combining his father's language talent with his father's practical choice for technology, i.e. by combining his English expertise with his IT knowledge.

Although Du is not saying so verbatim, he is proud of have been able to accomplish that which his father was unable to accomplish. Du is very active on the Internet and has written a '[letter] to my father' on one of his blogs (Du 2010a, b). The letter was written more than a year before out interview with him, but its contents are strikingly similar to what he has told us in July 2011. Du's story about his father and the influence he has had on his entrepreneurship has already become a narrative in Boje's sense (Boje 2001). As introduced in Chap. 3, Boje discerns three stages in the developments of narratives. It starts with an antenarrative, a fragmented, non-linear, incoherent and 'unplotted' account of what happened. When an antenarrative has been re-told a number of times, it gradually turns into a 'story', a coherent account of events, facts and incidents as they happened. When this story is in turn retold recurrently, the meaning of the words and their relationships become tighter, A 'plot' is added. The plot makes the story more than simply an account of what happened, but can be attributed a symbolic meaning. The story is then not just told to tell what happened, but to convey a message, to make a statement, etc. Boje refers to this as a 'narrative'.

Using Boje's terminology, we can regard Du's 2010 text as a story, and his statements during the interview as a narrative. The interviewers want to know something about the development of his entrepreneurship and he has a rich narrative ready, containing all the answers. The narrative is presented spontaneously, but as it is a narrative, the narrative should not be interpreted as premeditated speech.

This does not make Du's statements less useful, on the contrary, but it is necessary for a researcher to recognize narratives and distinguish between antenarratives, stories and narratives. Now that we have determined Du's story about his father as a narrative, we need to look for the plot and the overall meaning of the statement. This narrative is a ready-to-use tool for Du to place himself in the world. He is a good Chinese son of his Chinese father. He recognizes his father as an example. However, he did not only follow in his father's footsteps, but even took up where his father was forced to stop, due to reasons beyond his father's control. Du pursued a career that combined language and technical skills. He attended to nationally renowned universities. We could say that Du has given himself a role in

the plot of the narrative about his father. That narrative has become an organic part of the larger narrative of his own life.

Du's story about his father reminds us of René Girard's concept of mimetic desire. According to Girard, people's desires are derived from others. Far from being autonomous, our desire for a certain object is always provoked by the desire of another person, the model, for this same object. This means that the relationship between the subject and the object is not direct: there is always a triangular relationship of subject, model, and object. This view on social relations is similar to the triangular character of relations in the SI model. Through the desired object, one is attracted to the model, whom Girard calls the mediator: it is in fact the model who is sought, although in most cases people will never actually reach the stage in which they become their desired object. René Girard calls desire "metaphysical" in the measure that, as soon as a desire is something more than a simple need or appetite, "all desire is a desire to be [someone else]" (Girard 2005, p. 180).

Applying Girard's model, we could conclude that Du has a desire to be (someone like) his father. However, it was impossible for him to become his father, therefore to realize that desire, he became an entrepreneur, LIKE his father. Emulating his father's entrepreneurship is as close as Du will get to realizing what could very well be his primary desire in life.

Interestingly he never mentions whether his father is proud of him. This is either less important to him, or he takes it for granted. Humility is a Confucian value. Though Du never boasts, he is also not really humble. Through his English studies he has been exposed to Western thinking, which can explain why his world outlook is less Chinese, in particular in the cultural dimension collectivist (Chinese) – individualist (Western). He honors his father in the Confucian way, but also recognizes his own personal efforts in not only copying his father's example, but building further on it.

Chapter 12
Home Region

Hearing the Neighbor's Dog

One of the contexts in which Chinese actors construct (a version) of their self is their region of origin. Chinese are very sentimental concerning their roots. Numerous poems, songs, novels, feature films, etc., have been produced with the home region/town of the author as their main theme. Chinese used to be infrequent travelers. The Daoist ideal was that 'one could hear the neighbor's dog barking, but did not know what the neighbor looked like.' While this is an extreme rendering of Chinese geographic sentiments, it is indicative of the close relationship a Chinese has with his/her place of birth. Such a close, sentimental, relation with the home region provides an excellent environment for the preservation of the local dialect, cuisine, customs, etc.; or, in our terminology, for construction and continuous reconstruction of geographic cognitive spaces.

Zhang Yimou's famous feature film The Old Well is a splendid illustration of the emotional value of one home region. The film's core theme is the social impact of a well in water deficient North-West China. Such material local resources supplement the immaterial, sentimental, interests referred to in the previous paragraph. Such material interests still play a role in modern times. For example, Shanxi is a rather resource deficient province; one of their few resources being coal. However, the national government regards coal as a potential hard currency generator and has heavily invested in railway connections between that region and a number of ports. China's first electric trains were not carrying passengers, but were transporting coal. Only little of the hard currency thus earned flowed back to Shanxi. Many people from Shanxi people can be heard complaining about this situation. Such complaints are even voiced by loyal Communist Party members, who readily let their local identity ('we = Shanxi') prevail over their political identity ('we = Communist Party of China').

Geographic spaces have had an enormous impact on the development of social stratification in the Marxist point of view. Marxists, including their Chinese proponents, tend to discern the class structure of a given society at a given point

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in history on a national level. They will typically describe the life of 'farmers during the early Qing period,' referring to Chinese farmers in all regions of China. Such an approach can easily lead to reduction and therefore loss of information. Farmers toiling the soil of Shandong during that period would be in quite a different position that those living in on the barren loess plains of North-West China. Investigation may show that the cognitive elements of the Shandong Farmer Space would be quite different from that of the Gansu Farmer Space. However, an even more important flaw of a Marxist class based description of Chinese society of any historical period is that it tends to neglect the alliances between local farmers and elites in defending the local interests against infringement from other regions. At times, tenants (the oppressed) and landlords (the oppressors) of the same region teamed up together against people from a neighboring region, or the central authorities. Our theoretical framework can deal with these organizational activities in such a way that all differentiation remains intact. Sticking to our example, we could investigate cues that would justify discerning something like a Farmer Space in early Qing China, but we would also distinguish a Shandong Space, Gansu Space, etc. Farmers of Shandong would be both Shandong and Farmers. In some activities, 'we = Shandong' would be more on the foreground than 'we = farmers' and in other activities, the opposite would be the case. However, Shandong farmers would always be regarded as multiply included in the Shandong Space and the Farmer Space. The realities constructed in each space would be different and could even be conflicting in some aspects.

The actual 'region' with which a Chinese identifies at a certain moment can vary considerably. It can start with the neighborhood, go up to the city district (in the major cities), the municipality, the region, the province, up to the national state: China. Each level is constructed with its own symbols, way of doing things, etc., and therefore each level can (and therefore will) constitute a cognitive Space of its own.

Regional Embassies

The strong emotional ties of Chinese with their home region remains after they settle in another part of the country. Already centuries ago, major Chinese cities had associations of people from the same region (*tongxianghui*). The richer of these set up physical offices (Goodman 1995). Even in the present time, when Chinese travel much more inside China and around the world, most Chinese prefer to maintain close ties with their home region. Even after emigrating to a foreign country, Chinese from the same region tend to maintain close contacts and often settle in the same neighborhoods and organize home town associations.

The more informal groups of people from the same region are powerful networks that help newcomers settle down in the new unfamiliar and even hostile environment. These networks for a powerful occasion for entrepreneurship. Members of

such a network can set up small restaurants serving a taste of home, or hostels offering cheap lodging for short-term visitors from the home region.

On a more formal plain, the home town associations can develop into de facto platforms to protect the interest of the home region. The yellow pages of Beijing has a special section for representative offices of all provinces, and quite a number of major cities. Beijing is the national capital, thus the seat of the central ministries and ministry like organizations. The governments of provinces and the bigger cities have a number of issues that need to be handled at the national level any day. It is therefore more cost efficient to have a permanent representation in the capital for networking, lobbying and to take care of these specific issues. When officials from the home region visit Beijing, the local representation can prepare the visit.

The list of regional representations in Beijing itself reflect the different interests of the various administrative levels. Henan province obviously has a representation in Beijing, but so has the provincial capital, Zhengzhou, and on a different address. However, other major cities in Henan, like: Kaifeng, Pingdingshan, Anyang, Xuchang, Shangqiu, have a rep office in the capital, and again all on different locations. Many of these representations are simultaneously enterprises. The representation of Sichuan province in Beijing is simultaneously a hotel; including a restaurant that serves authentic Sichuan food a reasonable price.

Although migrants make up an important part of small entrepreneurs is any major Chinese city, the regional representational offices do not seem to show great concern to assist the migrants from their home regions. The non-Beijing entrepreneurs interviewed during our research so far have never mentioned contacts with their respective representative offices, let alone receiving support.

A reason for this could be that migrant entrepreneurs have been linked to illegal activities so often, that the representatives may fear that interacting with them too openly will affect their lobbying activities on behalf of their regional governments with the national authorities.

However, lower level representative offices do facilitate their own people when regular activities are concerned. A women from Huainan, a city in Jiangsu, posted a message on a bulletin board for Jiangsu people in Beijing on May 27, 2011, thanking the Huai'an Representative Office in Beijing and the Beijing Jiangsu Enterprise Association for their help in setting up a Huai'an Branch of the Beijing Enterprise Association. The latter half of the text of the post shows interesting insight in the conflicting multiple inclusions of these migrants in Beijing and their home region.

> Small and larger businesses and various people from Huai'an have received full assistance from the Huai'an government for a long time. The Huai'an government for which nothing is too far and the selfless Huai'an people have facilitated and helped us to set up and develop our business in Beijing, so that the wisdom, diligence, strong points and talents of the Huai'an people can be fully used and developed in the capital, a metropolis that concentrates politics, culture and economy. For this we express our most sincere thanks. Beijing has already become our second homeland. We can't do without Beijing. The Huai'an Branch of the Beijing Enterprise Association will build us a platform on which we can concentrate our strength, bring our wisdom in full play, and contribute our zeal to

repay Huai'an; to contribute to make Huai'an develop rapidly and strive for the common prosperity of the Huai'an people. (Jiangsu Village 2011)

The author of this post, using the nickname Xiaobei, confirms that Beijing is her second homeland (using *guxiang*, the term usually referring to the region of birth). However, apart from that confirmation, the language used to refer to the Huai'an government and people leave no doubt regarding the strength of the emotional embeddedness in the home region. Beijing is in many respects a better place than Huai'an, but the Huai'an entrepreneurs in Beijing will strive to let the people of their home region enjoy all the good things Beijing has to offer. To achieve that goal, they in turn need to the support from the home region, with the local representative office as its channel.

The author also operates a blog named 'Huai'an People in Beijing' (blog.sina.com.cn/harzbj) in which she has posted a picture of a group of Huai'an people enjoying a banquet. It is a happy scene and everyone interested is cordially invited. However, a warning is added as well: only Huai'an people will be accepted. While this makes sense, it is also a specific indication that being included in this group constructs a strong identity. On yet another part of the site (www.jstown.org/thread-846-1-1.html) she indicates that she has launched a Jiangsu Young Entrepreneurs Association and invites others to join.

From Rural to Subaltern

Pockets of migrants from the same region in large cities like Beijing are sometimes regarded as subalterns (Dutton 1998). The term subaltern is originally derived from postcolonial theory, but is now used with different shades of meaning in social sciences. Some scholars use it in a general sense to refer to marginalized groups and the lower classes—people rendered without agency by their social status (Young 2003), while others prefer to use it in the more specific sense of groups of people who have no access to the dominant culture (Spivak 1988).

Groups of people from, e.g., Zhejiang province in Beijing would actually fulfill both definitions of subaltern. A major tool for marginalizing migrants is the household registration system. A household registration record officially identifies a person as a resident of a certain area and includes additional information such as name, parents, spouse, date of birth, etc. The current system of household registration, as promulgated by the Chinese government in 1958, is partly a reconstruction of similar practices in traditional China. Its main purpose is to separate the rural and the urban population and to prevent too many rural people from trying to make fortune in the big cities. However, when people with a rural household registration still go to a city like Beijing, rent a cheap room, find a small job or start working as day laborers, the fact that they lack a Beijing registration prevents access to a number of basic facilities. With the beginning of the economic reforms in the early 1980s, restrictions on travelling to big cities were considerably lowered, but the household registration system remained intact. This created de facto pockets of, though not completely rightless, people with severely fewer rights that the those born and raised in the city. This gives them a de facto outcast status (Gong 1998).

When members of that group want to set up a business, every hurdle they have to take seems to be higher than for original Beijing residents, and some even significantly so. Interviews reveal that they generally perceive this as attempts by the mainstream local society to marginalize them. This marginalizing is not simply a matter of official policy, but also part of the culture of 'authentic' Beijingers, as is witnessed by an interview with a migrant entrepreneur by Dutton (1998, p. 144–147).

> Lu is male and was born in 1992, in his home county of Huaiyuan, Henan Province. Going to Beijing to sell vegetables was not only for finding an opportunity to make money. Lu wanted to have a son, but as he had only daughters (3), this obsession had cost him dearly in terms of fines. Living in the margin of society in Beijing offered anonymity to avoid the fines. The interview was carried out in January 1995. After Lu has stated that the police and other officials were not really bothering him, he pointed out that local people were a worse cause of trouble.
>
> The only trouble we get are from some smart-arse Beijing types rather than from organizations. For example, a couple of weeks ago one smart-arse Beijinger came around to collect tax our tax. We paid him, only to find out a little later on that he was not the responsible officer at all and had done this to shake us down. Well, of course, we went after him and taught him a bit of a lesson. So what did the police do? They dragged us in over the bashing. I was fined RMB 50 for starting a fight. Can you believe that? It was worth it, though. We certainly won't be getting any more Beijingers pulling that sort of s stunt again
>
> As this is not one of our own interviews, we did not have access to the original Chinese. However, the use of words indicates that the translator has tried to retain the original meaning of the statement. Lu does not talk about Beijingers as if they are another social class, but more like people with better social skills and manners and therefore apt in intimidating migrants. He indirectly admits to not having seen through the fraud from the start. He refers to him and his friends as a group, rather than about himself as an individual. When we read deeper between the lines, it seems that the 'smart-arse Beijinger' apparently was affiliated with the tax authorities, though not the person in charge of collecting their tax. It could have been a low rank tax officer trying to line his pockets with easy money. In this respect, this snippet also reflects the way local people perceive migrant entrepreneurs. While Lu has indicated that he is not bothered much by the police earlier in the interview, here he criticizes the police fining them for beating up the tax person. However, a mere fine seems like a relatively light penalty for beating some up. The police would probably have the authority to send Lu home to Henan because of this offence. It seems that the police were trying to give a signal that he was wrong in beating up the culprit, but that they were sympathic with his reasons. Lu again seems to miss the social intelligence to understand such hints.

This statement by a migrant entrepreneur shows that the marginalization of his group is socially constructed, i.e. it is a result of the ongoing interaction between people like Lu and local actors. We see local people perceiving themselves as smarter that the outsiders, which is corroborated by the initial accommodating reaction by Lu and his consorts. Then they antagonized the police by engaging in an illegal act themselves. In the above analysis, we have not even included the fact that Lu's main motivation for moving to the big city was to evade the one child per family policy.

> Migrant home renovator Chen has a different story about encounters with the police. He was once (also in 1995; the interview was taken in 2005 (Lei 2005)) approached by two plainclothes policemen who asked him and a friend for their residence permits.

> We said we didn't have them on us. They admonished us for not carrying the permits and said we needed to register with the authorities. They then told us to wait inside a van. . . . Moments later, the van was filled. We were then all taken to a local police station. The room was full of people, and you can see that they were all outsiders. . . . Because I didn't have any money on me to pay the fine that day, I was sent to a detention camp in Changping for two days. . . . On the third day, a group of us were taken to the railway station and put on a train bound for Suzhou, Anhui province.
>
> Interesting language here is 'you could see that they were all outsiders'. Apparently, the people thus rounded up preferred not to interact too much and just observed one another. Being migrants rounded up at the same time, apparently was not perceived as an occasion to form a social group. The sentence about the fine indicates that this was a relatively usual routine for Cheng and if he would have had money, he would probably have been let go.
>
> This draws another picture of interaction between local law enforcement officers and migrant entrepreneurs. However, the fact that Cheng soon afterwards reappeared in Beijing shows that sending them home is a mere formality, a kind of nuisance, and one that incurred additional expenses on a ticket back to Beijing (an indirect fine). It was not an effective way of keeping migrants out for good.

Zhejiang Village . . . in Beijing

Chinese from the same region, whether abroad, or in another part of their home country, have a propensity to settle down in the same neighborhood. It facilitates interaction between people with different functions in the migrant community. It is the typical location of the cooking shops offering local cuisine, etc. Undoubtedly the most famous (notorious) example of such a migrant community is the Zhejiang Village that started forming in southern Beijing in the 1980s (Xiang 2005).

The region is known by its central location: Dahongmen or Big Red Gate. The southern part of Beijing was relatively poor and underdeveloped. Already in imperial China, the southern part of Beijing was for the poor. Large numbers of migrants from Zhejiang province began moving into this area around 1983, renting houses from local peasants and setting up businesses. The total 'outsider' population peaked at about 30,000 residents which constituted somewhere in the vicinity of 60% of all village residents according to the local police (Dutton 1998, p. 149).

The vast majority of village residents were from a number of counties in the vicinity of Wenzhou, a major port city of Zhejiang, from which large numbers of people have emigrated to all continents of the world. Most residents were involved in production or trading of garments and businesses were usually very small and family based, typically sweatshops offering little protection for their workers. The municipal services like rubbish removal or hygiene services, medical, educational or child-care facilities, etc. were not equipped to deal with such a massive growth of the local population, most of whom remained unregistered. Crime was also significant. For the government, tax avoidance was another major problem and led to considerable conflict with these 'migrant' residents. Then there was the high proportion of fake famous brand products. For the residents, other crimes like prostitution and gang activities caused serious problems (Dutton 1998, p. 149).

However, the migrant residents had little faith in the police force, and vice versa, as witnessed by the interviews quoted in the previous paragraph.

A police crackdown and household registration drive was initiated in July 1995 to clean up the area. Most old one-story houses were demolished. However, the Beijing government also built a brand new department store for the migrant entrepreneurs, the bulk of whom engaged in selling garments made in Zhejiang, but also in other regions of China. One of the entrepreneurs interviewed during the research for this study has a small tailor shop in the campus of Renmin University. He also runs an outlet in the Dahongmen Wholesale Market together with a friend. Dahongmen has even gained fame outside China. On the Asian Fashion Clothing web site, Dahongmen is praised using very positive words:

> ***Dahongmen*** apparel wholesale market. Within this area there is 24 markets of garment, textile, shoes, and hats with more than 7,000 types of merchants. It is the largest garment wholesale market in the area north of Yangtze River. (Asian Fashion Clothing 2011)

A backward rural part of Beijing has thus been transformed into 'the largest garment wholesale market in the area north of the Yangtze River' by the (semi-) illegal activities of a group of migrant entrepreneurs.

There are more examples of this phenomenon, though less well reported outside China. One that is worth mentioning are the grinders of spectacle glasses from Jiangsu.

Virtual Villages

Zhejiang Village was real village, though an urban village that was in the process of being incorporated in the big metropolis. The first Zhejiang migrants were able to settle down there, because the regional inclusion of the local population was already shifting from Dahongmen to Beijing. They had already stopped tilling the land and realized that it was a matter of time before their traditional one-story homes would be cleared to make way for modern apartment and office buildings. Renting rooms and houses to migrants offered a convenience opportunity to make a little on the side. However, for the Zhejiang migrants, it gradually became the focus of their life, their second home region (as expressed by the Huai'an person cited earlier in this chapter).

The Internet has become a new platform to construct communities all over the world. However, for migrant entrepreneurs in China it has been embraced as an alternative way to build a second home region. Seen from the point of view of multiple regional inclusions, such an Internet based community offers a major advantage over a physical village: it can be accessed by the people in the home region in real time. The latter can become included in the virtual community by regularly participating in on-line discussions. They become translocal networks (Liu 2009, p. 116 ff.).

An interesting example is Jiangsu Town, a virtual community of Jiangsu people living in Beijing (jstown.org 2011). Although it does not solely cater to entrepreneurs, 'business' is an important recurrent concept on this site. There is a section called Family Business (*Jiazu qiye*). Jiangsu entrepreneurs in Beijing can upload their contact information and a short introduction of their business on that section. It is apparently a recent site, as the first post is dated April 2, 2011; members have started registering in December 2010.

Another section is 'Mutual help on business resources' (*Hangye ziyuan huzhu*). The posts form a potpourri of practical information and person experience, not all directly related to 'business' in the strictest sense of the word. It includes an invitation to join the Jiangsu Young Entrepreneurs Association, but also posts by people looking for a job.

This site is clearly still in the stage of development. It is geared towards all Jiangsu people in Beijing, but the Jiangsu entrepreneurs among the members are starting to set up subsections of their own. They may stay there, or could set up sites of their own. It will be an interesting topic for future research.

Home Region as Inspiration

The emotional relationship many Chins have with their home region can become an inspiration for entrepreneurship. This applies in particular to migrant entrepreneurs originating from the countryside. Grown up in a rural village, they first exposure to big city life can be quite an overwhelming experience. Numerous migrants remember life in the village as much more human, with much more interpersonal warmth, than they experience as migrants in the unfamiliar impersonal metropolis.

Shanxi student entrepreneur Yuan (this case is still in the initial stage of analysis, so has not been incorporated in Part II), who sells fruit to students via the Internet believes that his urge to help other people is a major driving force of his entrepreneurship. He noticed that his fellow students on the Beijing campus where he was studying had to pay a high premium price for fruits in campus shops, and felt that he had to find a way to give them access to cheaper fruits. When asked about the source, the social influence, of his urge to help others, he replied that he has grown up in a family and a village in which all people helped one another when needed. This question triggered a recollection of sharing dinner of neighbors of the same street.

> At dinner time, all people living in the street would come out with their bowls to eat and chat in the street. As children we used to run from person to person and get bites from what everyone was eating . . .
>
> When you had a guest from outside coming, the entire village would come out and help taking care of them

Yuan's language emphasizes the fact that these were truly collective activities, which stand in sharp contrast with the lonely position of the typical student of a

Beijing campus. We need to add here, that most students of prestigious Beijing universities are from all parts of the country. They have been recruited through the unified higher education examination system. They are not only a kind of migrants in a strange city, but also strangers for one another, at least right after their arrival on the campus. With his enterprise, Yuan hopes to convey some of the warmth of collective life in his home village.

Home Town Influences

The entrepreneurs interviewed for this study make sense of their home regions in various ways. The way people make sense of their home region dates from an early stage in their lives. This means that the stories most people tell about their home region are the result of decades of sensemaking. As this sensemaking starts when you are young, the impression it leaves in the mind is very deep. This is another example of a category of stories that easily develop into narratives, well structured plotted stories. A large number of the stories people tell about their home region also share another aspect of narratives: they are not told to convey an impression of the home region, but to communicate a certain perception of reality.

The home region is usually cognitively linked with the family. You are born and raised in a family. As a young child, you are usually kept under relatively protected conditions. Family is therefore a symbol for feeling secure, sheltered. Such emotions are easily projected to the home region, the village, neighborhood, etc.

One of the most frequently noted stories of the home region is that of poverty. People who are born into relatively poor families in rural regions recall the hardship of living at a farm: getting up early, working for more than 10 h/day, little income, etc. However, these stories also include warm feelings for the own direct relatives who have to make a living in such difficult conditions. This generates a wish to help the family to grow out of those dire straits. Continuing the tradition of tilling the soil is not perceived as a very promising route to attain that goal. The big city is place where most people have more money to spend and a many even much more.

Most of this type of entrepreneurs leave the home region as a blank page, starting to learn a trade after arriving in the big city. However, some lay the foundation of their entrepreneurship at home. Tailor Yuan told us that among the youth in his home town, learning to make clothes was regarded a trade with which one could make a lot of money (5–6 times more than the average monthly income). As a result, many young people acquired basic tailoring skills from a master in their home region and then chose to leave their hometown to apply those skills in the big city. At the age about 18, Mr. Yuan left his hometown and came to Beijing to find his brother who has already been in Beijing for several years as a tailor. In terms of inclusions, this short excerpt of Mr. Yuan's story involves three inclusions:

Inclusion	Core sensemaking
Home region	Poverty and the need to alleviate this
Village youth	Tailoring is a better way to a higher income than spending more years in school
Family	Elder brother is a tailor in Beijing

Home renovator Chen's story about his home region basically follows this scheme. A small difference with Yuan's story is that Chen's parents were strongly opposed to his going to the big city, while Yuan does not mention his parents' attitude. Chen only speaks of a relative in Beijing, while Yuan's relative is a sibling, which is a very close relative, and therefore probably more trusted by Yuan's parents. Chen was also influenced by the village youth, but those youngsters were only dreaming about a seeking fortune in the big city, while Yuan and his friends had already chosen a trade while still in their home town.

This is a good moment to note that affection for the home region, as all sensemaking, is the result of ongoing social interaction. We do not love our home region, but cherish the positive we derived from interacting with our relatives, friends, neighbors, etc. This is much stronger so for sensemaking that is rooted in our youth, as that is the first period in which social identities are adopted.

Physical objects are usually more stable than people, which can explain why they become used as symbols for the interaction with people associated with those objects. Neighbors will move or pass away, but the street in which our family's house was located will last longer. However, streets, neighborhoods, even entire villages, can disappear in time, as a result of urban reconstruction, or human or natural disasters. Therefore, the 'home region' is the most appropriate physical object to serve as a lasting symbol of people's memories of their youth.

Interestingly, once the home region starts being perceived as symbolic for the positive memories of the social interaction during ones youth, it can itself become an occasion for starting social interaction. This typically occurs when people from the same region settle down in another region, like migrants from a certain province of city who move to a big city like Beijing. When a new migrant from Henan meets another person from Henan, whom (s)he has never met before, being from the same province is usually already an occasion for bonding. If these two people then have one or more other shared inclusions, like poor rural background, working in a similar trade, being from the same town (a more concrete shared home region), etc., the bonding can easily become lasting, leading to a configuration. In fact, groups of people from the same home region in a major Chinese city already exceed the stage of configuration. Migrant entrepreneurs from affluent provinces like Jiangsu or Zhejiang, even the relatively poorer regions of those provinces, from strong networks that have reached the status of cognitive spaces in terms of the SI model.

This explains why we found little or no influence from the home region inclusion in the entrepreneurship of non-migrant entrepreneurs. Textile entrepreneur Niu set up his enterprise in his home town Tianjin, one of China's largest urban centers. Moreover, Niu learned the tricks of the trade as an employee of a large trading firm. This sets him apart from the migrant entrepreneurs with a rural background. The only way that home region plays a role in his entrepreneurship is the fact that

Tianjin used to have the name of textile city. This is changing, due to the trend in the Chinese textile industry to move production to the regions were the materials are produced. Tianjin is less and less a 'textile city', and as a consequence, being from and in Tianjin is gradually losing its significance for a company in that region.

Real estate entrepreneur Wang is not from Beijing. However, she is also not directly from another region of Mainland China. She left China for Hong Kong with her parents at a relatively young age, and returned to China as a business person who was already in the course of building a successful career in real estate development. On the basis of her Hong Kong identity, she is regarded as an overseas Chinese investor, which comes with a number of privileges. However, this falls under 'government' rather than 'home region'.

Chapter 13
Friends

Friendship could very well be the most important type of relationship between people. It is not the most intimate one. Relationships between spouses, siblings, etc., could be more tight that many friendships, but from a quantitative point of view, for any normal social actor friendship is by far the most important type of relationship with other people.

Friendship is so much a part of our social life, that we tend to take it for granted. We interact with our friends so automatically that we often do not even realize that we are not interacting with just anyone, but with a friend. We can discuss the politics of the day with our close colleagues, share our most intimate thoughts on that matter. However, when asked whether we regard those colleagues as 'friends', we may readily reply negatively; 'no, they are my colleagues, but I do not really see them as friends'.

In SI terms, friendship is a construct. It is a process of the social construction of friendship in ongoing social interaction between two individuals. When we state (conclude) that John and Mary are friends, than we are saying that John is a friend of Mary's and vice versa. Often one person believes that another person X is a friend. However, when we observe that X's perception of their relationship does not comply, we conclude that there is not friendship between the two.

In this respect, friendship is a type of social relationship that still needs to be investigated in depth in SI research. For example, as friendship is a construct, strictly speaking it will be constructed in a specific social-cognitive context. This means that, theoretically, two individuals can be friends in one context and have a neutral, and even unfriendly, relationship in others (Allan 1996, p. 85).

Krackhardt (1992) asked the employees of a medium sized firm whom in their company they would turn to for advice, when encountering a problem they could not solve themselves, and whom in their company they regarded as a personal friend. The resulting graphs revealed that some employees were highly regarded as 'advisors,' but almost completely slighted as 'friends.' This shows that giving/receiving advice between colleagues does not automatically construct friendships, even though any pair of such advice giving/receiving colleagues share at least two inclusions: the company and the advice configuration.

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Bellah et al. try to formulate a definition of friendship by discerning a number of components as proposed by Aristotle. They suggest that the concept of friendship has three aspects: 'Friends must enjoy each other's company, they must be useful to one another, and they must share a common commitment to the good' (Bellah et al. 1996, p. 115).

We can use this to take a second look at the advising friends in Krackhardt's company. For two people being colleagues of the same firm and on top of that having a advice giving/taking relationship on the work floor does not per se mean that two enjoy one another's company. However, they should be useful to each other. Regarding the third aspect, Bellah et al. remark: that 'what we least understand is the third component, shared commitment to the good, which seems to us quite extraneous to the idea of friendship. In a culture dominated by expressive and utilitarian individualism, it is easy for us to understand the components of pleasure and usefulness, but we have difficulty seeing the point of considering friendship in terms of common moral commitments (op. cit.). Perhaps we can reformulate this aspect using insights from SI theory into, share a commitment to the main theme of a shared inclusion.

As explained in the theoretical chapters of Part I of this study, a core notion of the SI model is that people form (social-cognitive) configurations and larger groups through ongoing social interaction around a specific theme. The participants in that interaction are said to be included in that social-cognitive group. Inclusions become part of their making sense of their selves; it provides a social identity. When two people, committed to such a theme, enjoy one another's company and find their relationship useful (e.g. because one appreciates the advice given by the other, and the other feels flatter by being asked for advice), you have a friendship.

Because relationships of friendship are so complex, they can easily start living a life of their own, or, in SI terms, become a constructive theme of a social-cognitive configuration. When one, or more, of the members of a friend group in a larger social group, e.g. a company, leave that group, the friendship can, and often will, remain intact. Friends can stay in contact, through communication, mutual visits, shared activities, etc. Friend configurations can be reconstructed by the members in other larger groups. For example, new employees in a company can introduce their friends for other vacant positions. When successful, these new hirees will become a configuration within their new work environment, which can potentially influence the day to day activities in that company.

Just like any type of configuration, friend configurations themselves can grow into larger types of social groups. They can become organizations, i.e. groups of people that have names, addresses, telephone numbers, etc., just like individual persons. Two or more friends can set up a company, launch a foundation, establish a political party, etc.

This is an important point in our examination of friendship, as it has major consequences for entrepreneurship. Start-ups set up by small groups of friends make up a significant section of new enterprises. A number of the entrepreneurs interviewed during the research for this study cooperate closely with friends, either taking their friends as business partners, or as important advisors.

Chinese Friendship

Relationships that are so tight and basic are bound to be influenced by local practices. In regions where employees tend to stay with the same employer, we will find a significantly higher number of friendship configurations in companies, than in regions where job hopping is the norm. In so called particularist cultures (Trompenaars 1992, p. 92 ff.), where people tend to see every event from its unique aspects, people will have a propensity to rely more on strong informal inclusions, like friendships, than on the more formal ones, like the organization that employs them. At the opposite end of that dimension, universalist cultures (op. cit.), we will find cultures in which people believe that everything that happens does so according to rules (of nature or of man). In those cultures, friendships often rank lower than higher end inclusions like employer. One of Trompenaar's most famous dilemma's is the following:

Consider for a moment this dilemma: You are a passenger in a car driven by a close friend, and your close friend's car hits a pedestrian. You know that your friend was going at least 35 miles an hour in an area where the maximum speed was 20 miles an hour. There are no witnesses. Your friend's lawyer says that if you testify under oath that the speed was only 20 miles an hour then you would save your friend from any serious consequences. What would you do? (op. cit. 33).

Universalists, like the Northwest Europeans and North Americans, will almost always uphold the law and refuse to help their friend. In more particularist cultures, like South Europeans, you will find more respondents willing to lie on behalf of their friend. Venezuelans responded most particularly, with about two thirds of the respondents would side with their friend.

We are not going to spend significant space in this study on cross-cultural comparison. There is a huge body of literature on that topic. Instead, we will introduce how friendship configurations have affected the entrepreneurship of many of the entrepreneurs covered by our research. When analyzing our findings, we will occasionally refer to cross-cultural models like that of Trompenaars cited above.

Anyone who starts interacting with Chinese regularly will soon notice that Chinese are quick to refer to people as friends (*pengyou*). It sometimes is as if the word *pengyou* should be translated in English as 'acquaintance' rather than 'friend'. In Trompenaars' model, Chinese appear on the particularist side of the particularist – Universalist dimension. This means that Chinese have a propensity to rely on more informal, but emotional, relationships, like friendships. This explains why people that Westerners would refer to as 'some I know' more quickly become friends in China.

However, the situation is slightly more complex. Besides the word *pengyou*, the Chinese language as a number of additional terms and phrases referring to friend-like relationship. Some of the more frequently used words are based on words for relatives like brother or sister. A Chinese can refer to a man as his/her brother, even though they have different parents. It is an indication that their relationship is as

tight that between siblings. This evokes a question about the difference between an entrepreneur referring to his partner as his friend or his brother; in particular which term is more intimate, has a higher emotional content. This is not a linguistic study, but as these subtle difference between (near) synonyms can be significant, we have indicated the terms used to refer to relationships in the translations of quotations and explained them in the analytical comments, when we deemed this necessary for a proper understanding.

Few of us take the time to examine how we go about making and keeping friends. We recognize that it is important for children to have friends; yet we do not understand relationships' reciprocal natures, as reflected in a statement heard quite frequently in early childhood classrooms: "We're all friends in this classroom." Children are placed in a classroom together because they are all in the same grade and probably because they all live in the same part of town, not because they are all friends with each other. Friendships may develop as a result of being together and learning about each other, but they are not guaranteed. In order to understand children's friendships, we must examine them within the broader context of their social world.

Interaction with the social environment is one of four factors identified by Piaget (1973) as affecting cognitive development. While many people recognize social interaction as an important part of Piaget's theory, most are not aware that Piaget also described the social experience as the child's identification with, and introduction into, the existing social world. Youniss and Damon (1992) use the term "culture-acquiring child" (p. 268) to explain how children identify with their culture. They become part of that culture by interacting with other children and adults. It is through this interactive process that children construct knowledge about themselves and others within their culture, or social world.

An interesting example in this respect is fruit-selling physics student Yuan, cited in the previous chapter on home region influence. He describes how the children in his home village used to spend dinner in the street, rather than at home. People were eating their dinner in the street and the neighborhood children used to play around, taking a bite from various neighbors. This regular ongoing interaction has created such a strong feeling of 'friendship', that Yuan can still reproduce those evenings emotionally. On hand, we can conclude that the entire village turned into one large family, on the other hand we can contend that the friendships constructed in this way were at least as strong, if not stronger, than the family bonds for children like Yuan.

In terms of the SI model, Yuan's case shows an interesting example of a relatively large group of people sharing multiple of inclusions. Yuan in that stage of his life, was included in his family, his neighborhood (street), and school. Due to the size and lay-out of the village, most of his contemporaries shared the inclusions 'neighborhood friends' and 'school mates'. The more inclusions people share, the stronger their relationship is perceived by themselves. As the children shared food with their neighbors, an activity usually associated with the own family, this also made the closest neighbors and themselves part of a family-like inclusion. The first chapters of the life stories of home renovator Cheng, restaurant entrepreneur B and less fortunate entrepreneur Meng are quite similar to that of Yuan. These phenomena need to

await further research, but Yuan's story already gives us a fascinating look into the social-cognitive processes that take place in such a rural Chinese village.

Friends of the Case Entrepreneurs

When scanning the case texts of Part II of this study, it becomes clear that 'friends' is hardly ever a separate type inclusion, but usually linked to another inclusion. We will start this section with a walk along the cases. To stay in line with our research method, we will not use a neutral definition of 'friends' to investigate what types of friends were influential in each case, but listen to the entrepreneurs and note what people they refer to as friends.

Whenever home renovator Cheng mentions his friends, he always refers to his fellow guerilla workers from Anhui. For him, the people with whom he has the tightest emotional links are the people from his home province seeking fortune in Beijing in the same line of business. This means that Cheng and his friends as well are sharing several inclusions: Anhui descent, self employed home renovator, migrant in Beijing. There could be more, like gender, if all his 'friends' would be male; or age, if all would be relatively young, etc. However, the bonds between actors who share three inclusions is already extremely strong. Their bonds are so strong, that they can easily lead to social fixation. In that case, the group of friends can start perceiving their status quo as so essential to their identity, that they will allocate much of their efforts and attention to maintaining that status quo, and lose sight of alternative identities. Such a situation can be recognized when a group of people in an underdog situation start complaining that they 'will never be able to improve their situation', because 'everyone looks down on them'. The data of Cheng's case indicate that a number of these friends are indeed reifying their social inclusions in this way. While Cheng is able to shift his focus to other inclusions and establish a legitimate home renovating company, many of his employees are his friends as defined above, who, apparently, have got stuck in their social situation. Here we may find another indication of the way entrepreneur has been defined in.

The story of restaurant entrepreneur B resembles that of Cheng, where 'friends' are concerned. His inclusion in Henan migrant workers in Beijing has played a major role in finding a job in which he could learn the tricks of the trade that he later took up as an independent entrepreneur. Even then, people from those inclusions remained stakeholders to his entrepreneurial endeavors.

An Army of Friends: Back Again to Mr. Du Kerong

Earlier in this chapter, we worked toward redefining 'friendship' in terms of the SI model as a situation in which actors share a number of inclusions. This creates the strong bonds that are referred to as friendship in everyday parlance. Many Chinese

private entrepreneurs rely heavily on friends defined in this way. Apart from the friendship between migrants of the same region in a big city like Beijing, we have found similar bonds between people who have served in the army together. A case that we have not selected for this book involves a person, also from a rural family, who sought a way out of the relative poor conditions in the countryside by joining the army. After his discharge, he maintained close contacts with his army buddies and the latter played a role in two of his business endeavors. Army friends also play a role in the Draka – Xinmao case that we introduced in Chap. 1 as a general introduction to our basic research questions. The fact that Mr. Du Kerong is an ex-army officer is used in the European media as 'evidence' that his attempt to acquire Draka was, at least partly, plotted by 'the Chinese army'. However, although we have not taken the initiative to disprove this allegation, our findings suggest that it is very likely that Mr. Du, after his discharge from the army, retained strong bonds with his army friends. Such bond can easily become channels of information regarding business opportunities. These opportunities are usually communicated as part of a stream of information relayed in ongoing social interaction. The information that the army needs a certain type of cables can be picked up by cable producer Du, who has received information about Draka being for sale through another channel, and turned into the idea that acquiring Draka would be a way to actualize that business opportunity. Here we once more see an entrepreneurial act that is constructed by a number of actors engaged in multiple processes of social interaction. It happens (or emerges) rather than that it is the result of rational calculating intent.

Entrepreneur Without Friends (?)

Real estate entrepreneur Wang makes an interesting case in this respect. While writing this book, we can already look back on 3 years of contacts with her. Even in the initial stage of our research, the very few times that she talked about 'friends' struck us as deviating from the stories of most other entrepreneurs. As the Yihai Education case involved several key actors, we found it useful to look into the friendship networks of those key actors, employing a sociogram technique as used by Krackhardt (1992) as introduced in Chap. 2. Wang herself responded that friends did not play a major role in her entrepreneurial life. Instead, she contended, she preferred to deal with people in a clear business-like fashion. Descriptions of Wang by other people in the Yihai Education space confirm that she is not a person who builds her business relationships on emotional ties (Peverelli et al. 2011).

This poses an interesting question: does this make Wang an exception among the entrepreneurs so far studied in our research, or does her case enrich our insight in the role of friendship in entrepreneurship? We believe it is the latter.

When we try to retell Linda Wang's statement that she prefers clean business relations rather than relying on friends into terms of the SI model, it seems that Wang is saying that she prefers to deal with others on the basis of single inclusions

rather than multiple inclusions. When two actors interact in one inclusion, this allows them to allocate more attention to that inclusion. Alternatively, it allows them to reach agreement while allocating relative little attention. If you need to become 'friends' with a person before one can come to the point, this requires more attention and energy.

In her own words, Wang is not actually that active in reaching her business deals. She is the 'organizer' (*zuzhizhe*), who links people with different abilities and resources together. In SI terms, she has the ability to construct viable cognitive spaces. Once a space is operating, i.e. once the interaction between the members has become ongoing, she will remain included, but not as a core actor. This frees attention that can be allocated to new endeavors. Wang's ever growing network of spaces not only helps supporting existing business, but also makes initiating new business increasingly easier.

In a way Wang is exceptional among the entrepreneurs used for this study, in the sense that she does not rely on friend-like relationships. However, her case confirms our definition of friendship.

The case textile entrepreneur Niu seems to resemble that of Wang in this respect, be it on a much lower level. Niu as well never mentions friends during the interviews. Translated in SI terms, his statement about vertical relationships (see Chap. 5) also points at interacting in single inclusions. Niu specifically mentions that this requires less attention and therefore saves costs. Here he first of all refers to financial costs, but it in fact also reduces other costs like energy and attention.

The main difference between Wang and Niu is that Niu has failed to construct viable cognitive spaces; at least not to the extent that he can lower his involvement to such an extent, that he can free attention to construct new ones.

Chapter 14
Government

Multiple Economies

Official political parlance has it that the planned economy of the first decades of the PRC has been gradually replaced by a market economy from the beginning of the 1980s. However, researchers in this field seem to agree to a high degree that reality is considerably more complicated. Instead of one replacing the other, it seems to be more appropriate to conclude that singular situation of planned economy has been complicated by adding a number of economies, varying in degree of 'plannedness'. A centrally planned system is still intact for part of the economy, while another part is completely deregulated. However, in between we can find a number of economies that are only planned to a certain extent. This means that government relations remain an important concern for entrepreneurs and entrepreneurship in China (Peverelli 2000; Dickson 2003; Yang 2007).

One of the mechanisms causing this complex character of Chinese economy is the mere size of the country. A country of the size of China can only be governed successfully through a multi-tiered administration. The USA, which is comparable in size to China has opted for a decentralized federal political division in states with high degree of freedom in promulgating its own legislation, suiting the distinctive features of the population, geography, climate, history, etc., of each state.

China is a much older nation that the USA. Various dynasties have struggled to determine a workable political division and by the time of the establishment of the PRC, a geo-political division was designed based on these traditions. A historic description is beyond the scope of this study. On the following pages, we will briefly introduce the various levels of the current administrative system, starting at the top. Moreover, in line with the SI model, our introduction will focus on the way various actors in Chinese society makes sense of these administrative levels.

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Province

In a huge country like China, provinces are comparable in size to individual states in a continent like Europe. The same applies to the power of their governments. Provinces are important administrative units and their governments often seem to act as governments of sovereign states. China is a vast country divided by a number of mountain ridges and rivers. In the course of history, these mountain ridges and rivers have become natural barriers surrounding plains with fertile soil. Most Chinese provinces are shaped with such a plain as its centre. The role of geography in the constructing of several provinces is reflected in their names: Shandong (East of the Mountains), Shanxi (West of the Mountains), Hebei (North of the (Yellow) River), Henan (South of the (Yellow) River), etc.

This is an interesting example of how geographical structure can affect cognitive processes through the formation of a network of functionally linked cities, towns and villages. People living in such a plain will frequently interact with other people from the same plain, but contacts with people from other plains will be much more difficult due to the mountain ridges, especially in times when such ridges could only be crossed on foot or horseback. Skinner (1977) has defined nine such macro-economic regions for late imperial China and contends that these regions still matter in modern Chinese economy. Indeed, Chinese economists regularly talk in terms of the Northeast, Northwest, Southwest, etc.

One of the provincial symbols that frequently reconstructs the notion of province is its short name. Every province has a single character name often used for convenience in official documents. This character appears on the license plates of motor vehicles registered in that province, which is possibly the most frequently viewed occurrence of that name. The short name is also frequently used in names of enterprises to denote their geographic origin and to show to the outside world that the founder(s) is proud of that origin. For example, the short name of Shandong province is Lu. Lu is the name of the ancient state of Lu, the birthplace of Confucius. The latter gives the name of Lu a strong emotional load. It expresses that this is not just any province, but the birthplace of a philosopher who is perceived as one of the major thinkers of the entire East Asian region. The character Lu appears on license plates of Shandong-registered cars. It is also part of the name of China's largest fruit juice manufacturer: Zhonglu (literally: 'China Shandong') Group and one of the country's largest producers of antibiotics: Lukang (literally: 'Shandong Health') Group. A large chemical company in the south of Shandong is called Lunan ('South Shandong') Chemical Corporation. The largest hotel in Shandong's capital Ji'nan is called Qilu (Qi was another ancient state in the present Shandong region) Hotel.

Dialect does play a role in the construction of geographic spaces, but dialect isoglosses do not always coincide with provincial borders. Fujian province, for example, is divided into two, mutually unintelligible, dialect areas. People in its capital, Fuzhou, and those of the major port city of Xiamen have to communicate in Mandarin. Several of the entrepreneurs interviewed during this study are people

from inland regions trying their luck in the big city, like Beijing. People from the same province form a special social group (cognitive space) within big cities. Apart from the strong emotional feeling of belonging that Chinese usually have with their home region, speaking a shared dialect also plays a role in formation of such regional spaces in the population of major Chinese cities.

Provinces were made into the main administrative regions of China after the establishment of the People's Republic, but their political and economic powers were strictly controlled by the central government in Beijing. With the start of the economic reforms in the early 1980s, more and more decision-making power was moved from the central to the provincial governments (Hendrischke and Chongyi 1999, p. 4 ff.). As a result, provinces, in particular the ones in the coastal region, became a major source of revenue for the central government.

The increased policy-making powers became an important constructor of provincial Space. Provinces no longer regarded other provinces as sister-provinces and the richer regions no longer felt obliged to share their wealth with the poorer inland provinces. Differences between provinces became powerful constructors of provincial identity. One area in which this shift in provincial identity became more and more evident was the interprovincial political and economic rivalry. Economic reporting in the media is very often oriented around the provinces. If we take China's major bulletin for the food industry, the China Food Newspaper (*Zhongguo Shipin Bao*), as an example, the main story on its front page usually deals with provincial matters. We can, for example find an article introducing the fruit juice industry of Shandong. Such an article may describe the problems in that industry and urge the companies to improve their performance 'in order to keep up with the other fruit juice producing regions'. This discourse of interprovincial competition is also used by the fruit juice manufacturers themselves. The two main apple producing regions of China are Shaanxi and Shandong. Because Shaanxi is the poorer of the two, labor cost is lower there. Moreover, most apple juice producers in Shaanxi are so-called Town and Village Enterprises owned by the lowest level authorities, or private enterprises. Those in Shandong are mainly state-owned enterprises or ventures with foreign investment. The cost of labor is therefore considerably higher in Shandong. This situation, combined with a surplus of apple juice on the world market, has caused a price war between the apple juice manufacturers of both regions in 1998, in which the Shaanxi companies can undercut the prices of those in Shandong. Judging by the accusations from the Shandong companies towards those in Shaanxi, the use of the war metaphor is not an exaggeration.

The more intense interprovincial rivalry has also increased the opacity of provincial politics, as provinces are not willing to share their strategies for creating provincial wealth with their competitors. Provincial politics have always been less transparent than those on the central level. The (inter)national media tend to concentrate their attention on what is happening in Beijing, which is already considered rather opaque. Provincial politicians do not have to worry much about their local media, as these are to a large extent controlled by the local authorities.

One area of provincial politics in which obscurity is especially evident is the attraction of investment, both domestic and from abroad. Although the central government still has a say in the allotment of foreign investment and aid programs, each province tries its utmost to lure a fair share of foreign investment to itself through their permanent representative offices in Beijing. All provinces, as well as a number of large cities, have such offices in the national capital. The representatives spend their working days lobbying for their home region's interests (Hendrischke and Chongyi 1999, p. 8).

Provincial governments are wary of sharing their strategies in these matters with outsiders. The rules and regulations officially promulgated by the governments are usually written in very general language, while details are hidden in 'internal documents' that are kept strictly confidential. In this way, crucial details can be filled in, or adapted, for particular opportunities, whenever such opportunities occur.

A similar situation can be observed where investments by large national corporations are concerned. A process of conglomeration through mergers and acquisitions is going on in many Chinese industrial sectors. Successful companies are vying to obtain a foothold in key economic regions by establishing greenfield subsidiaries, but more often by acquiring a local company that is in dire straits. Such companies are often state-owned or collective enterprises, which means that the potential buyers have to negotiate with the respective governments, provincial or lower.

This rivalry between provinces offers interesting perspectives for entrepreneurs. When you have decided to establish an enterprise in sector that is regarded as strategic, or at least typical for the region, by the local government, you can try to use that as a major aspect of the legitimacy of your enterprise. It may be a means to obtain some sort of government support, or at least protection from negative government interference. Further in this chapter we will show that a number of our case entrepreneurs show a keen empathy for what their governments (usually more often lower administrative levels) regard as important.

What has been said about provinces in this section more or less also applies to four major cities that have been given provincial status, i.e. that are directly controlled by the central government: Beijing, Shanghai, Tianjin and Chongqing. It also applies to a number of region referred to as 'autonomous regions', in which the majority of the population consists of non-Han nationalities, like Xinjiang, Tibet, etc.

Municipality

Provinces are dived in counties (*xian*) and cities (*shi*). The municipality (*shi*) is defined as an urban centre with a certain economic strength. When a county has developed economically to a certain level, it can apply for and will receive municipality status. Besides an urban centre, larger municipalities usually also comprise a rural area, divided into counties. Municipalities play an important role in the lives of their inhabitants. They are large enough to have a certain history, folklore, etc., and being born and raised City X has a certain emotional connotation.

It plays a major role in the people make sense of themselves. In terms of SI theory, city inclusions are usually very strong. Inhabitants of the larger cities have their own language, customs, peculiar habits, ways of doing things, etc. Citizen identity cards, passports, driving licenses, and such, are provided by the municipal authorities. The municipality usually is a strong cognitive space.

Counties, and a few other types of administrative regions, can play a similar role as municipalities.

Municipal District

The urban areas of larger cities are divided into districts (*qu*). The number of inhabitants of such a district can be quite high. For example, the relatively small but politically important Beijing West District had approximately 1.25 million registered inhabitants mid 2011. City districts are therefore governed through a professional District Government. In the previous chapter we introduced how the Chinese economy is divided into a number of industrial sectors, which have subsidiaries in provinces and cities. Many municipal districts also have Bureaus (*ju*) in charge of the relevant sector in the District. For example, the West District Government of Beijing Municipality has a Commerce Bureau, linked to the Ministry of Commerce, an Education Bureau, in charge of educational activities in the District, etc.

Some of the Districts of major cities even have a distinct history of their own, that is reflected in the regional identity. Peverelli (2000) shows how the history of commercial centre of Xujiahui in Shanghai has been formative in the identity of the city's present day Xuhui District as a centre of commercial activity.

For entrepreneurs, it can be useful to be aware of the specific character of the District in which (intend to) set up their business. Beijing's Haidian District is a region with a high concentration of institutes of higher education, including some of China's top universities. One can therefore expect that the Haidian government will, if not stimulate, at least welcome entrepreneurs with an academic background. We will introduce a few examples later in this chapter.

Neighborhood

Here, we use the English word neighborhood as a translation of the Chinese term *jiedao*, which literally means 'street'. The neighborhood is geographically constructed by an official delimitation and a Neighborhood Committee (*jiedao weiyuanhui*) partly consisting of volunteers, usually elderly people, who take care of the household registration, mediating if there are quarrels between neighbors or spouses, etc.

This system has a historical background in traditional Chinese institution called the *baojia* system. In imperial China, not only the cities were surrounded by a wall, but also parts of a city. The inhabitants of these areas were supposed to take care of each other's safety, hence the term *baojia*, literally: 'guarding armor'. Each day after sunset the city gates would be closed and simultaneously the gates of each *baojia* unit. This was seen as the best way to keep unwanted elements outside. This is an interesting illustration of how certain construction rules can persist through adapting to changes in the context. There is no wall around a neighborhood, so 'bad elements' can no longer be kept out by closing the gates at night. However, a small army of elderly people spending the better part of the day sitting outside at street corners chatting with each other are able to spot every person entering and leaving their neighborhood. Each stranger is noted and if irregularities occur (such as burglary) they will be able to tell the police what suspicious individuals (=non-residents of their own neighborhood) have entered the neighborhood around the probable time of the crime, which home they visited, how long they stayed there, etc.

The influence of the Neighborhood on individual citizens' lives can be quite intrusive. The small entrepreneurs that are the focus of this study all have to deal with the Neighborhood in which they live and the one in which they conduct their business. In case their living and business activities are located in different Neighborhoods, they will regularly interact with representatives of both.

In urban regions, there is still is a lower level unit, called community (*shequ*). However, this is a relatively new and rather informal level. While all entrepreneurs will have to deal with neighborhoods, few will be affected in the community space.

Community: The Youngest Child

In recent years, the Chinese government has introduced the concept of *shequ*, that can best be translated with 'community'. Modern Chinese residential areas usually consist of units constructed by a developer, often surrounded by a wall, with a few guarded gates. These areas carry names that are sometimes given by the developer, sometimes based on the geographic location. Yihai Garden, the enterprise of real estate entrepreneur Wang, introduced in Part II, is a good example of a community.

Communities do not employ full time professional staff. Certain tasks are performed by volunteers, who may receive some compensation for their contribution to society.

Matrix Between Administrative Levels and Industries

In Chap. 3 we already introduced how Chinese enterprises are operating in a matrix of two types of hierarchies. One is the hierarchy of the administrative levels, introduced in much more detail in the previous paragraphs of this chapter, the

other being the industrial sector of the enterprise. A paint producer in Shanghai will be interacting regularly with representatives of the government of Shanghai or higher (as Shanghai is an independent city, the next level is the central government) and those of the Chemical Industry, where the capitals indicate that it is an official organization. It is headed by the China Chemical Association, a ministry like organization in Beijing, which has branches in basically all administrative levels, including Shanghai Municipality.

Chinese Enterprises and Government Agencies

From an SI point of view, the interaction between Chinese enterprises and government agencies does not differ fundamentally from how organizations and their environment. The environment affects the organization through ongoing social interaction between members of the organization and actors from configurations outside the organization. All members of the organization have inclusions in other configurations and cognitive spaces, that they can access to find cognitive matter useful for the sensemaking inside the organization (Peverelli and Verduyn 2010, p. 58–75). This applies to influences like family, friends, etc., the other chapters in Part III, as well. However, due to the law enforcing power of many government agencies, these relations often have a higher impact on the enterprise, and the entrepreneurs therefore need to allocate more energy and attention to government relationships.

The intricate matrix requires Chinese companies to keep a large number of lines with an equal number of government agencies in the air. Larger enterprises can employ special people for the more routine like parts of this work, but private entrepreneurs need to do so themselves.

Real estate entrepreneur Wang wanted to add an international school to her condominium. This requires approvals from a number of government agencies. Moreover, she had to align with similar agencies on the District (Fengtai) and Municipal (Beijing), and even State levels. As for the latter, Wang was in the lucky situation that her project was located in the state capital where the central government agencies are located as well.

> I started this in the Spring of 2006. I had to run (pao) for a year. It requires formalities with Public Security, Foreign Affairs, Education, Foreign Experts Bureau, Health Authorities, many departments. After the District procedures had finished, the same departments on the municipal level had to be run as well. . . For some aspects, like foreign experts, you also have to go through the State Foreign Expert Bureau.
>
> Although Wang was already running a large operation, she handled virtually all procedures herself, using her ability to forge relationship her accumulated fame. A typical term here is *pao*, which literally means 'to run'. It has become the designation for getting approvals from various government agencies to start a business project.

The entire tone setting of the excerpt indicates that the procedures went quite smooth, but that Wang prefers to handle such government relations while keeping a

certain distance. Everything is done through official channels and in the official way. There is no mentioning of use of acquaintances, existing contacts, etc. By doing all this contacting herself, she forges configurations with key people in all the relevant government agencies. Through her multiple inclusions in all those configurations, Wang becomes a major channel through which any set of agencies can access one another. This gives Wang tremendous political clout.

Internet entrepreneur Du believes his entrepreneurship has been inspired by his father, who overnight turned into the CEO of his company, from the position of engineer (see Chap. 11 on family influences for more details of this story, including remarks about the language, etc.). It is very common in China that people in such a position introduce their children to their own company to get familiar with the business. Du's father as well, started to take Du along some day.

> So starting in 1997, I began to muddle along [hun] with him, like management work, every day I accompanied him to see government leaders, business friends including all kinds of CEOs. Because he is quite influential in the region, the enterprise went up every year, it was the most profitable in the region.

This snippet shows that the task of a CEO of a medium sized local company as that of Du's father spends most of his working time visiting stakeholders, including leaders of other companies and those of government agencies.

Law Enforcement: Seeking Peaceful Coexistence

The problematic relationship between migrant entrepreneurs and the law was already made very clear in the chapter on home region, when we introduced the congregation of migrant entrepreneurs in a big city like Beijing and the counter measures this can evoke, when their number increases above a certain level (Zhejiang Village).

Home renovator Cheng reports numerous encounters with the police, when he was operating as a guerilla worker. The presence of migrants in the cities was effectively monitored by the police rather than by the employers or labor officials. The city police regular rounds up people who are unable to produce a local residence permit. In the chapter on home region, we have already quoted a story from home renovator Cheng about the one time that he was caught without able to show a resident permit.

Cheng's story dates from the early 1990s. Later in that decade, the administrative method of restricting migrants was changed from controlling the influx to regulating some of the typical industries in which migrant entrepreneurs were especially active. Beijing officials began to pay attention to regulating the renovation industry so the government could register the renovators, set quality standards, and formalize transactions. Migrants were allowed to establish companies in a city like Beijing, but there was still ample room for harassing migrant entrepreneur by applying the rules more strictly to outsiders than to local entrepreneurs.

However, Cheng's story also indicates that there was a certain level of interaction between migrant entrepreneurs and law enforcement agencies like police and other law enforcement agents like officials of the Bureaus of Industry and Commerce, or semi-governmental industrial associations.

This is corroborated by the story of less successful entrepreneur Meng. His first business venture, was located in the very heart of Beijing, selling various small items wanted by tourists. He believes that his good relations with the local police were an important pillar for his success. When he moved to another location to engage in another type of business, selling CDs, he was rounded up once, because he violated copy rights. Apparently he failed to establish a good working relation with the local police like he had done before. This failure is peculiar, because one would expect that such a failure would take place during the first business project, after which the entrepreneur would have learnt to take this aspect of migrant business in Beijing into account. However, Meng did well in this respect in the first business and failed in his second project. This could be explained by the fact that Meng started his first business while imitating the behavior of his relatives who were already active in Beijing. Although Meng states that he was not really cooperating with them, in is highly likely that he received at least advice from them, as can be expected from relatives.

Changing Policies: Going Along or Against

The story of home renovator Cheng cited above indicates that entrepreneurs have to develop a skill to deal with quickly changing government policies. Ad hoc decision making is already a part of Chinese culture, which in Trompenaars' terms is strongly particularist in nature (Trompenaars 1992, p. 92 ff.). Through the ages, Chinese citizens have always needed, not only to adapt to rapid and frequent changes in policy, but also to develop social relationships with relevant policy makers that could function as channels for information about policy changes. Chinese policy makers therefore often release information about imminent policy changes informally to specific stakeholders.

In terms of the SI model, policies are constructs. They are constructed by policy makers in their ongoing interaction with various others. The people affected by a certain policy (change) are also co-constructors of those policies. As a result, an important function of social networks of Chinese is to ensure that they are being informed about new policies.

The part of Cheng's story about his relationship with local police officers is a good example of such a 'peaceful coexistence' between people affected by certain policies and those who make/oversee those policies. The private home renovators would like to conduct their business with as little interference from the police as possible, and local police officers want to conduct their work with as little as possible upheaval. The police officers receive information about new regulations from their superiors and rather than wait until they are officially promulgated, they

prefer to leak the news to those people with whom they have regular contacts. That allows the latter to take measures, thus avoiding future problems. Those who do not invest in such relations with the police will only learn about the new laws and regulations on the date of promulgation.

Cheng's success in this respect, his peaceful coexistence with the police, can be regarded as corroborating our definition of entrepreneurs as people who are able to link networks of multiple inclusions.

Textile entrepreneur Niu is an interesting example of someone who finds it difficult to align with government policies. He does comply with laws and regulations and therefore has never clashed with people assigned to uphold the law, but several times during the interviews he indicates that he is not willing to follow all the whims of the Tianjin government. He blames this on his personality. He quit his job in a state owned enterprise, because he felt stifled by all those regulations and official procedures. Unfortunately, he is operating in a line of business that heavily relies on government ties. He is aware of that and admits that it is a major cause of the decline of his business.

Real estate entrepreneur Wang stands in stark contrast with Niu in this respect and even to some extent with Cheng. In her own words, Wang is actively steering policy makers to make policies that are beneficial for her. A good example is her success in applying for the creation of foundations, one of which is charitable. Due to a number of corruption cases involving non-profit foundations, these are very difficult to approve in China.

> I wanted to establish two foundations, a non-profit one and a for-profit one. The non-profit foundation is a charity foundation. When the Beijing Municipality approved a foundation for me [gei wo], I can later make a lot of people follow me. You [researchers] can help me promote with educational activities. . . [they know] I am never corrupt and never harm other people's interests
>
> Wang mentions the approval on one foundation, because the for-profit one is an investment fund, which needs approval from another authority.

Although Wang, as she always is during our several interviews, is rather closed regarding the government agency and person(s) she actually deals with, her choice of words indicates that it did need an excessive amount of effort to obtain approval. This snippet is in line with what we concluded about Wang at the end of the previous chapter on friends. Wang deals with people, including government officials, on a single inclusion basis. This involves simple expectations that are easy to comply with. In this way, Wang can with relatively little effort build relationships in which the other parties believe that she fulfills her promises (trust building). As a result, Wang is able to get a non-profit foundation approved quickly, while the current political environment discourages approval of such organizations.

Conclusions and Beyond

Conclusions

After discussing our theoretical framework in Part I and introducing the cases of Chinese entrepreneurship used in our research in Part II, we shared our findings so far in Part III. Those findings were presented in the form of major types of social relationships that affect the entrepreneurship of our entrepreneurs.

In this final chapter, we will return to our research questions (Chap. 1) and some of the findings in the existing literature as introduced in Chap. 2, and see to what extent we can answer the questions and corroborate or question the findings. We will start with the discussions in the literature and finally revert to our questions and the Xinmao – Draka commotion that set all of this in motion.

In the SI model, entrepreneurship is a construct, i.e. it is a product of sense-making through the social interaction of the entrepreneurs with various other actors. Social interaction always takes place in a certain cognitive space. Normal human actors are included in numerous spaces, but only a relatively small number play a major role at any given moment.

Applied to the social construction of entrepreneurship, this means that for all 'entrepreneurs', defined as people who at a certain moment decided to derive all of part of their income from their own endeavors, we can find a number of inclusions, the combined have led to their taking on an entrepreneurial role.

Elfring and Hulsink used the strong/weak ties model to formulate their propositions. In a way that model is complementary to the SI model. In SI theory, we tend to look more at distinguishing the number of inclusions, and the equal number of social identities that spring from them, of an actor, than whether the ties within an inclusion are tighter or weaker. On the other hand, the SI model is significantly more refined in its distinctions than the strong/weak ties model. SI theory looks at the social construction of reality within each inclusion. Weakness or strength of the relationships can be part of that, but it seems to become less important. What is more important is the frequency of the interaction of the actor under investigation in each of his/her inclusions relevant to the research topic.

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Another weakness of the strong/weak ties model is that it seems to be formulated rather statically. A certain entrepreneur 'has' a number of relations, while in everyday social practice a person's set of prominent inclusions is constantly changing. In our research model, we attempted to address that aspect by combining the SI model with life story analysis, to introduce a historic perspective. Actually, the three roles of networks in entrepreneurial processes in new venture development distinguished by Elfring and Hulsink:

1. Discovery of opportunities
2. Securing resources
3. Obtaining legitimacy

seem to reflect different stages in the entrepreneurial process. Although these three processes constantly take place simultaneously, discovering opportunities can be expected to play a stronger role in the earlier stages. Once a business has been started, securing resources comes to the foreground and an established business needs to address its legitimacy.

Yet another problem with the strong/weak ties concept as used by Elfring and Hulsink is that it seems to reify the venture. The propositions are phrased as if the ventures are the ones 'using' the ties, looking for opportunities, etc., while in social reality those are actions pertaining to sentient actors.

An important, and growing, section of Chinese private entrepreneurs are the migrants, people from the relatively poor countryside, who move to the big cities to find their fortune. A number of migrant entrepreneurs in our cases have laid the foundation of their enterprise during their first life chapters. Their stories draw a picture of rural teenagers not only dreaming of making money, but also frequently interacting about the best way of attaining that goal. Cheng's idea for home renovation, Yuan's choice to become a tailor, Meng's decision to sell fir products, etc., were all formed interactively in that way. Yuan's tailoring cannot be attributed to certain genes, or to certain typical features of his home town. It happened to be part of the sensemaking of the youth in his village at the time he was growing up and very open for such ideas.

Did the people mention in the previous paragraph then 'find' their opportunities? In SI terms, they did not. Opportunities are also constructs, a product of social interaction. Social interaction requires at least two actors and the opportunities are thus constructed by the entrepreneurs and their contemporaries. If Meng would have been born in Yuan's village, he would most likely also have opted for a career in tailoring.

The SI model does distinguish between more or less complex relationships in terms of the number of inclusions that are involved. A relationship between two actors within a cognitive space that is exclusively based on a topic related to that space is singular, i.e. it involves basically one inclusion. However, this is rarely the case in social practice. People are usually interacting in multiple inclusions, some of which are shared.

We have addressed this in Chap. 13, when we compared the ways real estate entrepreneur Wang and textile entrepreneur Niu related with their various

stakeholders. While Niu seems to relate to his various others on a one inclusion basis, Wang is always seeking synergy by interacting simultaneously in different inclusions. Niu first works on winning an order, then he starts looking for raw materials, then for an export quota, etc. While he is always involved, his various others are not given an opportunity to get related. Wang does give her different stakeholders such an opportunity, which often results in the construction of a new cognitive space. Yihai Education is one example, but even by carefully reading the snippets of text form our interviews with Wang in this book reveals that she has created several more such spaces. In each space, actors thus connected combine their resources to realize Wang's ideas. This sharing of resources benefits all actors. So her again, securing of resources is a collective act.

When we take this conclusion to the cases of tailor Yuan and restaurant owner Mr. B, we can observe similar behavior, though on a more modest scale. The less fortunate entrepreneurs in this study, Messrs. Meng and Niu all seem to fail on exactly this particular point. This leads us to the conclusion that a core aspect of the entrepreneurial process is to join ones various inclusions around a business idea. A case like Wang's, which we have studied for several years, seems to indicate that more innovative ideas, like that of establishing schools in a residential project, may require more resources, which impels the entrepreneur to bring in people from more inclusions. This again seems to be an explanation that is closer to social practice than do so in terms of need for more strong rather than weak ties.

Finally there is legitimacy. In the SI model, the basic goal of any organization (social group that is aware of its being a group) is continuation. Inclusion constructs identity and actors have a propensity to maintain their identities as long as they continue to make sense of them. For our entrepreneurs this means that, as soon as the business venture is perceived as an enterprise, entrepreneurs will start thinking about ways to continue that enterprise's existence. As an enterprise is a construct as well, this requires social interaction between entrepreneurs and their various stakeholders. This can be clients, suppliers, policy makers, but also family members, relatives, friends, etc., (who derive an income or a sense of pride from the enterprise).

So far, we do not see significant differences between securing resources and obtaining legitimacy that would justify making a strict distinction as is done by Elfring and Hulsink. Much of what we concluded about resources in the previous paragraph can be applied to legitimacy as well. When a new idea of Wang needs official approval and financing, she ties actors from cognitive spaces in both realms together in a new space that focuses on the new business idea. As long as those actors make sense of the idea positively, they will introduce that positive thinking into the interaction with their fellow members of the original space. In everyday English, the government official involved by Wang in one of her projects will talk to his/her colleagues positively about that project. That will construct legitimacy.

As was the case with securing resources, in obtaining legitimacy we do not see a distinction between strong and weak ties, but more or fewer inclusions involved.

Now we have reached the moment that we can revert to Mr. Du Kerong of Xinmao again for the last time. Do our research findings so far shed more light on

this case? Again we feel it does. Even with the relatively little information we have collected about him so far, the life stories of the entrepreneurs presented in this book offer rich examples that can help us reconstruct the various stages of Mr. Du's entrepreneurship. We can read that he was born in a relatively poor rural family. That should now sound extremely familiar to the reader. Du's first way out was not seeking fortune in the big city, but getting a free education in the army. This means that he was exposed to a highly hierarchical way of organizing from an early age (17). He rose to the rank of a senior air force officer. This gave him ample access to high tech.

The media coverage about Mr. Du shows some similarities with that about Linda Wang. We can then, prudently, try to apply some of our findings based on Wang's case to Du. We can envision Du as someone who is also skilled in 'organizing' in the way Wang uses that term: connecting key actors from various inclusion in a new cognitive space based on a business idea.

The SI model tells us that previous jobs remain as inclusions, at least for a certain time. This means that Mr. Du, even after his discharge from the army, remained included in his military circles. This in turn makes it possible to access that military inclusion any time he deems doing so useful or necessary to support a business idea.

The idea for Mr. Du to go into the cable business could have been initiated by a military friend, who relayed information about the demand for certain cables. It could have been picked up by Mr. Du during a more haphazard conversation over a cup of tea, etc. Which was the case is not an urgent question in the SI model. In this paradigm, a business idea is also regarded as a construct, which not only involves the entrepreneur, but also at least one other actor. The idea (opportunity) is the result of that social interaction and therefore pertains to all actors involved, not simply the entrepreneur.

Technology business like that, even when the business activities are restricted to the domestic market, needs the support of various government agencies. Du's quick rise in the army indicates that he had good social skills and we may expect that he was able to employ those in civilian life as well. It would have been easy for him to link government people to the idea of a cable venture. Tianjin is one of China's major sea ports and is the home of many foreign trade companies. Moreover, the Tianjin authorities are widely known as keen on encouraging overseas business relationships. Inclusion in such a region, gives a big Tianjin company owner like Mr. Du ample access to information about what is happening in the world, including that Draka is for sale.

This incremental construction of a business idea can then lead to an evolution of the cable business idea from local to a global player through the acquisition of a European competitor. Mr. Du ended up on the door step of Draka not as part of big scheme or carefully planned plot. Instead, it is more likely that he was surfing on the waves (ongoing social interaction) caused by combining a number of his most relevant inclusions. These waves pushed him ashore in the Netherlands. However, when he arrived, he noticed that he overlooked at least one important resource: insight in the way mergers and acquisitions are perceived in Western Europe, and how that perception translates in business practice. He apparently realized this,

which explains the ease with which this major business project was aborted. If high level inclusions would have been involved, Mr. Du would have put up a stronger fight.

Limitations and Future Research

Most of the limitations of our results presented in this book have already been alluded to in our text. First of all, this is a report of our findings so far in a long-term research project. It was launched in 2007, but is likely to continue for many years to come. However, we do have reached a stage in which we are able to share a number of patterns in the social embeddedness of Chinese entrepreneurs that we have uncovered. Simultaneously, our research method has been tested sufficiently to introduce it to a broad range of interested professionals.

An important limitation of the current stage of our research is a geographic one. We need to expand our playing field to other parts of China. In the near future, it would also be useful to apply this methodology to study entrepreneurship in other parts of the world.

Secondly, the mix of entrepreneurs studied so far is not ideal. With the exception of real estate entrepreneur Wang, all entrepreneurs mentioned in this book are small business owners. Our research needs to gradually incorporate a number of larger privately owned firms.

Finally, we need to see how we can expand our 'findings' from discerning a number of broad patterns to a more comprehensive model of the social construction of entrepreneurship.

All these goals would be served by expanding our research team, or better, by setting up a nationwide (or even international) network of research teams, working jointly to fine tune the model by applying it to cases of entrepreneurship in their own region.

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