

## ***From Mao to Market – Entrepreneurs as Institutional Change Agents in China***

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### **Abstract**

Although it is widely recognised that institutionalist approaches can provide an appropriate framework for the study of entrepreneurship in hostile environments, they are repeatedly criticised for the lack of consideration given to human agency. In this context two questions are considered in this paper: first the role of human agency in institutional change and secondly the strategies of actors used to achieve institutional change. The concept of institutional entrepreneurship (both government officials and entrepreneurs) has been presented as one way of dealing with the role of actors in institutional change, although it is not without its critics. In this context, the paper focuses on the role of entrepreneurs as institutional change agents in China. Following a theoretical review, case study evidence of well-known Chinese entrepreneurs is used to demonstrate a variety of roles.

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## **Introduction**

A growing number of researchers have recognised the appropriateness of institutionalist frameworks for the study of entrepreneurship in environments where external conditions can be a dominant influence on entrepreneurial behaviour. In such conditions, “[I]nstitutional theory offers several unique insights into organization-environment relations and the ways in which organizations react to institutional processes.” (Oliver, 1991: 151). Moreover, in the context of uncertain and unstable contexts, institutional change can be an important factor influencing the pace of development of entrepreneurship. However, institutional approaches have been repeatedly criticized for the lack of consideration given to human agency (Dacin, Goodstein, & Scott, 2002). One issue concerns the endogenous and recursive nature of the relationships between institutions and individual behaviour. This poses the question of the extent to which individuals, either alone or collectively, can initiate change in a context which is at the same time strongly influencing their behaviour and, if so, how (Koene, 2006). North (2005) emphasises the intentionality of players enacting institutional change, concluding that their grip of a situation influences the development of the institutional environment.

This particular paper focuses on the role of entrepreneurs in driving institutional change in China which is in the process of moving from state-planning towards a more market-based, or socialist market, economy. Consequently, China has a number of distinctive features from an institutionalist perspective (Smallbone & Welter, 2012). The paper aims to contribute to the development of a framework of entrepreneurship and institutional change which takes into account the specificities of the Chinese context. Conceptually, the paper critically reviews the existing literature on institutional entrepreneurship and on the relationship between institutional change and entrepreneurship development, in order to

develop a conceptual framework to capture the different processes involved in the relationship between entrepreneurship and institutional change.

Although the primary aim of the paper is to make a conceptual contribution, there also is an empirical component comprising analysis of cases of three well known entrepreneurs in China, whose behaviour has contributed to some aspect of institutional change. These cases are used to demonstrate some of the ways in which entrepreneurs act as change agents the strategies they use to achieve their goals. The next section contains the conceptual review of the paper. Section 3 discusses selected cases and the strategies that Chinese entrepreneurs use to influence existing institutional settings. The paper finishes with conclusions and implications.

### **Conceptual review: Entrepreneurs as institutional change agents**

*Institutions and entrepreneurship:* Institutions represent boundaries for individual actions, but they also can assist in reducing transaction costs, uncertainty and risks of individual behaviour, emphasising the role that institutions can play in enabling and/or constraining entrepreneurial behaviour. As rules of the game, ‘formal’ institutions represent the constitutional, legal and organizational framework for individual actions; ‘informal’ institutions represent non-codified codes of conduct, values and norms embedded within a society.

Institutions may change over time; and institutional change can positively influence entrepreneurship where it lowers barriers to market entry and exit. However, institutional change does not have a mechanistic effect on entrepreneurship, because of the mediating influence of institutional inertia and legacies on individual behaviour as, for example, is illustrated in former socialist countries (Chavance, 2008; Peng, 2003). Since informal institutions are embedded in society, they tend to change more slowly than formal institutions

(North, 1990), which can result in conflicts between the two. This can have a major impact on entrepreneurial behaviour insofar as entrepreneurs draw on viable, but not necessarily the best courses of actions (Whyte, Saks, & Hook, 1997), which ‘may bear little resemblance to the legitimate courses of action stipulated by the formal rules’ (Nee, 1998: 86). Institutional approaches have repeatedly been criticized for the lack of attention paid to human agency (Dacin et al., 2002), with underlying assumptions of a ‘homo economicus’. In this context, two questions are of particular interest for this paper: (1) the role of human agency in institutional change, (2) the strategies of actors (in this case entrepreneurs) seeking to achieve institutional change.

*Agency and institutional change:* One of the major problems inherent in the institutional approach concerns the endogenous and recursive nature of both institutions and behaviour (Zafirovski, 1999). It poses the question as to how individuals can initiate change in a context which may at the same time strongly influence their behaviour (Koene, 2006). North (2005) emphasises the intentionality of players enacting institutional change, concluding that their grip of the respective situation influences the development of the institutional environment. Just as institutional change can influence entrepreneurial behaviour, so too in theory, at least, can entrepreneurial behaviour trigger institutional change because action develops in a ‘duality between agency and structure.’ (Beckert, 1999: 789). This implies that institutional change may be interpreted as an interactive learning process between entrepreneurs and those organisations designing and implementing the formal framework, such as governments.

In this context, Fligstein (1997) advocated the concept of ‘institutional entrepreneurship’ as one way of dealing with the role of actors in institutional theory, acknowledging that institutional entrepreneurs are not necessarily business owners, but also could be politicians. Recently, the concept of institutional entrepreneurship has gained attention in entrepreneurship research (Battilana, 2006; Battilana, Leca, & Boxenbaum, 2009;

Beckert, 2010; Pacheco, York, Dean, & Sarasvathy, 2010), although it is not without its critics. It may be argued that the concept of institutional entrepreneurship remains blurred and its application to entrepreneurship questionable. Definitions of what constitute so-called institutional entrepreneurs vary across the different streams of institutional theory. For example, organizational sociologists such as DiMaggio (1988: 14) interpret institutional entrepreneurs as ‘organized actors with sufficient resources’ that see in new institutions ‘an opportunity to realize interests that they value highly’. Based on the example of China, Daokui et al. (2006) define institutional entrepreneurs as agents who destroy prevailing market institutions during business start-up or expansion, in order for their own business to be successful. In other words, the innovation of these entrepreneurs is external to the business, with a wider impact on the whole economy. With their definition, the authors draw attention to institutional change as a result of intended individual behaviour, which might have both positive and negative effects for the economy beyond the individual business.

From a political economy perspective, Douhan and Henrekson (2010) take this debate further, arguing for a distinction between business and institutional entrepreneurship with the latter reflecting actions of agents to ‘exploit institutions to one’s economic advantage’ (Douhan & Henrekson, 2010: 641), in contrast to business entrepreneurs who realize profits based on, for example, patents or market niches. Finally, Battilana et al. (2009) argue that for agents to qualify as institutional entrepreneurs they would have to initiate changes that break with the existing institutional framework and also actively participate in implementing those, whilst conceding that the entrepreneurs might not be successful in implementing institutional changes. They also acknowledge that institutional entrepreneurship could be a by-product of other (entrepreneurial) actions.

So far, the concept of institutional entrepreneurship does not appear to fully capture the complexities of the interplay between institutions and agents, nor does it suggest an

adequate conceptual underpinning for exploring agency within institutional theory (Aldrich, 2010). If the aim is to understand how institutional change can take place in a context where human agents can initiate it despite the institutional constraints on their behaviour, then a more appropriate concept to incorporate agency within institutional theory may be that of *change agents*, whether this is intended or a by-product of other actions. Change agents may be entrepreneurs, but may also include officials or representatives of government and other organizational actors, as Smallbone and Welter (2012) have previously illustrated in relation to governments in new EU member states of Central and Eastern Europe, the CIS and China. In the former, the state played an active role as an agent of institutional change, as part of their commitment to joining the EU. By contrast, in most CIS the state still does not fully recognise the role of entrepreneurship in economic development. Consequently, the role of the state in relation to institutional change, in such circumstances, is mainly negative, which leads entrepreneurs to seek to circumvent and avoid institutional constraints. However, in the case of China, both state and entrepreneurs are potential change agents, although previous research has suggested that both sets of actors are often more interested in exploring and exploiting the existing institutional frame and institutional holes than in taking steps to change them. In this context, the case of China may be used to illustrate the interaction between institutions and organisations and/or individuals that shape institutional evolution (North, 1994), in which both organisations and entrepreneurs are players.

*Behavioural responses and institutional change:* Oliver (1991) was the first to elaborate on the behavioural responses of actors within institutional theory. She suggested five types of behavioural responses to institutions, ranging from conformity or acquiescence, compromise, avoidance, deviance to manipulation. Conformity, acquiescence and compromising strategies acknowledge the existing institutional framework, with entrepreneurs adapting their behaviour accordingly. Avoidance, defiance and manipulation reflect patterns of non-

conforming behaviour in relation to existing institutions. Avoidance refers to individuals or organisations concealing and buffering themselves from institutional pressures or escaping institutional rules (Oliver, 1991), which means it is more of a coping strategy than an attempt to initiate change. In challenging environments, for example, some of the diversification strategies of entrepreneurs fall into this category (Lynn, 1998), as diversification can help successful entrepreneurs to attract less attention to themselves from the authorities, particularly in the more authoritarian states. Defiance includes entrepreneurs ignoring, circumventing or openly challenging institutional rules, which especially happens in situations where there is low potential for external enforcement. 'Manipulation' refers to active attempts to change the institutional environment, which may be less of an option for new and young entrepreneurs because of their lack of legitimacy and power and may depend on the extent to which entrepreneurs are able to form effective business associations. The exception is where they are well connected as can be frequently observed in post-Soviet states, where 'state capture' by party members turned entrepreneurs was a dominant process during the early years of the transition towards a market economy (Hellman, Jones, & Kaufmann, 2003).

Building implicitly on Oliver's concept, Henrekson and Sanandaji (2010) identify abiding, evading and altering as the three main mechanisms through which entrepreneurs can influence institutions. Altering includes direct actions of entrepreneurs aimed at reforming formal institutions. Abiding behaviour can trigger institutional change indirectly, for example, through disruptive actions such as the introduction of new technologies (Kalantaridis, 2007). Evasion behaviour again may contribute to institutional change indirectly, because it challenges the authority of existing institutions, by weakening their effectiveness. Evasion behaviour often draws on path dependency as reflected in behavioural routines, which has previously been illustrated with respect to entrepreneurial behaviour in post socialist countries (Welter & Smallbone, 2003). Such behaviour is frequently seen as reinforcing 'inertial

informality' (Chavance, 2008: 65), which has been assessed as detrimental to institutional change, in particular of informal institutions (Greif & Laitin, 2004).

Recently, however, studies of institutional change have started to acknowledge 'positive path-dependent informality' (Chavance, 2008: 67), drawing attention to path-dependent institutional evolution through layering, conversion or recombination (Martin, 2010). Layering refers to the gradual change of informal institutions by adding new procedures or structures. Conversion includes the reorientation towards new purposes; and recombination refers to changes in the combination of institutional settings. This draws attention to the fact that institutional change can happen as an unintended by-product of entrepreneurial or organisational 'path-dependent' behaviour, as has been shown, for example, in various former socialist countries (Ledeneva, 2006; Stark, 1996; Stark & Bruszt, 2001; Welter & Smallbone, 2011). The implication of this is that it is not only intentional behaviour which contributes to institutional change, but rather any entrepreneurial behaviour which implicitly or explicitly questions existing institutions. This could occur in situations where institutions are not legitimized in an economy or society (Beckert, 1999).

### **The Institutional Frame for Entrepreneurship in China**

A key part of the distinctiveness of the institutional frame for entrepreneurship in China is the relationship between informal and formal institutions, with changes in the latter often following a period of experimentation. For example, the Government in China has often ruled by Communist Party policies rather than by legal statutes, which means that public statements by Party leaders are part of the informal rules of Chinese society, although over time an increasing number of Party policies have been translated into laws (Yang, 2007). The process starts with ideas being presented by Party leaders, followed by discussion of them in a

wider group, such as the Central Committee of the Communist Party. The Party then reaches a collective decision, which may be specified as a regulation by the State Council, although these ideas can influence behaviour without necessarily reaching the final stage. Such an approach places considerable discretionary power in the hands of Party officials, which entrepreneurs need to negotiate, if they are to successfully establish and develop a business. This is particularly the case in view of the highly bureaucratic regulatory and licensing system. As in other transition economies, institutions provide the rules of the game for entrepreneurs, although the way the rules operate in China is distinctive.

However, in China, whilst institutional change (particularly in informal institutions) over the last 30 years has undoubtedly contributed to creating the conditions in which entrepreneurship has been able to develop, few would argue that the rapid development of entrepreneurship has been facilitated by a clearly defined and well enforced institutional framework. In reality, formal institutional change has not kept pace with the development of entrepreneurship in China. As a consequence, one of the key questions to be answered in a Chinese context is how to explain the explosion of entrepreneurship that has occurred when there is evidence of considerable institutional deficiencies (Yang, 2007).

For most of the reform period, private enterprise has developed in China without private property rights, leading to collusion between local governments and entrepreneurs and the use of rent seeking behaviour. In practice, alliances between entrepreneurs and local officials have acted as a mechanism for the growth of non-state owned enterprises, especially in rural areas in the 1980s and 1990s, reflected in the rapid growth of Township and Village Enterprises (TVEs). For a period, TVEs were a driving force for non-state enterprise development in China, employing 134m by 2003 and contributing 30% of GDP, although since then a large number have been restructured into more conventional forms of private

ownership (Liang, 2006). The case of Hengdian described in the following section shows how an active individual can contribute to the restructuring of a large TVE.

Although through most of the 1980s and 1990s, entrepreneurs in China have found the institutional environment increasingly liberal, ‘objective’ evidence points to considerable ongoing institutional deficiencies, with potential implications for entrepreneurship development. For example, in the IFC/World Bank’s ‘Doing Business’ report 2011, whilst China is ranked 79 out of 183 countries on the overall ‘ease of doing business’ index, it is only 151/181 with respect to the ease of starting a business (World Bank, 2010). Compared with more advanced countries, starting a business in China involves more procedures, is significantly more time consuming, more expensive and requires a higher minimum capital to register.

*Institutional holes:* Institutional holes have been defined as structural gaps between two persons or organisations in different institutional fields (Yang, 2007). In China, institutional holes exist to be exploited by entrepreneurs and institutional actors alike. As a result, neither the state nor many entrepreneurs have much interest in changing the best institutional rules, but instead prefer to explore what they can do within the context of the (ambiguous) rules that exist. Clearly, in such cases entrepreneurs are not seen as change agents since they are working within the existing institutional frame. In these cases entrepreneurs have the necessary contacts with the appropriate officials to undertake successful business, which gives them a competitive advantage over less well networked entrepreneurs.

In this context, Yang (2007) describes the concept of ‘double entrepreneurship’, suggesting that as well as addressing gaps in the market, successful entrepreneurs in China need to be able to both make a profit and obtain socio-political security, in a way that is mutually supportive. Hence, ‘double entrepreneurship’ refers to a situation where

entrepreneurs fill gaps in the market, on the one hand, and respond to opportunities resulting from gaps in institutional rules on the other. Both aspects are part of the entrepreneurial process in China. Since institutional holes are associated with ambiguous institutional rules, entrepreneurial opportunities are often open to negotiation between entrepreneurs and institutional ‘rule-makers’. These institutional holes and ambiguities are a key element of the institutional frame in China.

### **Cases of Chinese Entrepreneurs acting as Agents of Institutional Change**

In this section, we present a number of entrepreneurs who can claim to have contributed to institutional change in China. They are all well-known, leading entrepreneurs in the country placing them in a stronger position in their dealings with government than less well known entrepreneurs, which typically involved finding creative ways around institutional barriers.

*Case One: Li Shufu:* Li Shufu is a well-known entrepreneur in China, owning the Geely Group of enterprises. Following unsuccessful attempts to manufacture refrigerator parts because he failed to obtain the necessary licences, Li Shufu successfully developed businesses producing decoration materials and motorcycles. His entry into the motorcycle business involved considerable creativity following a rejection of his application for a licence to produce. His response was to take over a bankrupt motorcycle plant in order to use their brand and production licence, for a fee. But in 1997, Li Shufu decided to invest in car manufacturing. This represented an ambitious venture for a private entrepreneur, in view of the economies of scale required in vehicles production and following a 50 year period when state-owned enterprises dominated Chinese automobile industry. Whilst the process of market reform made it legally possible for private enterprises to compete with state-owned companies, in the Chinese system, market entry requires entrepreneurs to obtain a production

licence, which enables them to start production and be included in the national automobile production directory. When Li Shufu approached the provincial government for a licence necessary to produce cars, his application was rejected. The state Economic and Trade Commission asserted that government would only support the development of three state-owned enterprises to manufacture cars and would not give a licence to a new entrant. Not willing to take no for an answer, he requested a licence to engage in research rather than car production, acquiring an 850 acre site to implement this.

Li Shufu also took steps to build a public profile through the media, in order to increase his bargaining power with the licensing authority. His approach was to emphasise the risk-taking role of the private entrepreneur, who plans to use entirely private funds rather than state or private credit. He called for fair competition to build the market mechanisms in the country. At the same time, he continued to lobby the relevant departments in the provincial government, allegedly spending tens of millions of dollars in public relations fees. Nevertheless, the end seems to have justified the means as the Geely Group won support from consumers, the media and some officials. As a result, the Zhejiang provincial governments submitted a special report to the State Department on Li Shufu's behalf. In 2001, 10 days after China's acceptance to the WTO, the Geely Group was finally awarded a licence to produce cars.

As well as being one of China's successful elite of private entrepreneurs, Li Shufu may be legitimately considered an agent of institutional change and system reform, because of his success in penetrating a sector previously monopolised by a handful of state-owned enterprises. It is interesting to note the tactics he used to pressurise the government to give him the licence required to engage in vehicles production. On the one hand this involved seeking popular support through the media by emphasising the important potential contribution of private entrepreneurship in the vehicles market, where the Chinese consumer

would gain access to the keenly priced, quality product at no cost to the public purse. His tactics also included gaining the support of his provincial government, through the liberal use of what was euphemistically described as a substantial public relations budget, in order to lobby central government on his behalf. As a consequence, from a situation where private enterprise was excluded from vehicles production, privately owned enterprises became a key element in what is considered to be a national pillar industry. Whilst Li Shufu's actions may have been mainly motivated by self-interest, the result was to break the monopoly of state enterprises in the vehicles industry. The Geely group continue to make a strong contribution to the development of the sector, having purchased Volvo in 2010.

*Case Two: Xu Wenrong and the Hengdian Group:* Since Xu Wenrong founded the Hengdian silk factory in 1975, the Hengdian Group has grown to become the third largest private enterprise in China and 131st of China's top 500 enterprises. The original silk factory was established following the demise of a state owned silk factory in the locality, during the centrally planned period. Then in 1978 Xu Wenrong set up a cluster of knitting mills, an underwear factory and textile mill, with the silk plant acting as their mother factory. Since this was prior to the start of the reform period, government interference in enterprise management was common. Moreover as the performance of Hengdian silk factory improved, attention from government increased, with frequent inspections and audits. The entrepreneur estimated that the cost of this interference to the enterprise was approximately 150,000 yuan, emphasising the inefficiency of such a hands on approach by government officials.

Frustrated by the level of state interference, in the early 1980s: Xu Wenrong's mission focused on striving to separate politics and enterprise development, which if achieved would make making Hengdian a pioneer in the entire country. The 1990s saw the rapid growth in the

number of village enterprises in China, supported by the Industrial Corporation. At the same time, the village enterprises that developed were typically small in scale, low in technology, with low product quality and facing cut-throat competition. In this context, Xu Wenrong sought ways of reducing these negative effects which were hindering the contribution of the Hengdian cluster of enterprises to the local economy. With the help of experts, he developed a model which involved centralised control within the group of enterprises, rather than leaving each company in the group to be managed autonomously. These changes were associated with a marked improvements in business performance in 1991/92. The success of the Hengdian enterprise group attracted the attention of the provincial government in Zhejiang, who were beginning to experiment with a joint-stock co-operative system. In 1993, the enterprises in Hengdian united to form the first TVE group approved by the national Office of Economy and Trade.

The so-called Hengdian community economic model represented an organisational innovation in China that emerged from the efforts of Xu Wenrong. The distinctive characteristics of the model included financing based on bank loans and self-accumulation. Neither the State nor any private investment group provides investment support. This means that the property cannot be owned by the state or local town government; only by the staff. Although property ownership is one of the distinctive features of the Hengdian Group, which is often held up as one of the most successful TVEs in the country, unlike most TVEs, local officials do not act as chief executives or closely supervise the operation of the business. Indeed, after several years of initial growth, Xu severed the ties with local government enabling him to declare that the group was owned by those who work for it, which he described as community ownership. In Yang's (2007) analysis, Hengdian's success would have been impossible without its relatively high institutional autonomy, which in turn would have been impossible without Xu's entrepreneurial leadership.

Xu Wenrong became an agent of institutional change by challenging the pre-existing rules with regard to TVEs, which at the time were only allowed to operate in industries that directly served agricultural production. Xu challenged this by setting up manufacturing enterprises which he was able to do having first established his entrepreneurial authority in his community. The case has much wider significance in China because it provided a model for the restructuring of TVE's, which at one stage of China's development were a key element in the development of the non-state sector. Most have now been restructured as private enterprises.

*Case 3: Xu Fuxin:* This is a case of a successful and innovative entrepreneur who exploits an institutional gap and, in doing so, his actions lead to institutional change. In the mid 1990s, Xu Fuxin identified a new market opportunity for personal, handy phones (PHS), which involved grafting the PHS onto the existing networks of China Telecom, connected with PHS wireless technology. The problem was that the regulations governing the telecommunications industry at the time did not qualify China Telecom to engage in mobile communications and China Mobile was not qualified to engage in the fixed line telephone services. The existence of this institutional gap in the field of communications gave Xu and China Telecom an opportunity to develop the PHS market, having previously observed the operation of the technology in Japan. The process began with some small-scale testing in China of customised equipment produced by an American supplier.

Not only was PHS not covered by existing regulations but officials at the national Ministry of Information Industry (MII) treated PHS negatively, publishing a number of documents designed to restrict its development. Eventually the national Ministry defined PHS as an extension of fixed line telecommunications, only to be developed in small cities. Despite the intervention of the MII China Telecom built up its PHS network in response to evidence of strong market demand for the new technology. The Ministry of Information Industry

finally gave PHS legal business status in 2001. The example shows that Xu Fuxin and China Telecom were able to break through institutional constraints to exploit a business opportunity to serve markets, which by 2008 had reached 68.9 million PHS users. China Telecom initially found the institutional vacuum, although its monopoly position enabled it to press for institutional change. Xu persuaded local telecommunications authorities to invest in the network infrastructure and attract PHS users before getting the official licence. In these circumstances it was impossible for the authorities to cancel PHS.

## **Conclusions**

This paper represents work in progress. The starting point was the growing use of institutionalist approaches in the study of entrepreneurship and entrepreneurial behaviour in economies where external conditions present many challenges to entrepreneurs because of institutional deficiencies. At the same time, the limitations of institutionalist perspectives were also emphasised, particularly with respect to the inadequate way that human agency is typically treated within the approach. In this context, we critically assess the concept of institutional entrepreneurship, which has recently emerged in the entrepreneurship literature as one way of dealing with human agency within an institutionalised framework. Our conclusion was that it does not provide an adequate conceptual underpinning for incorporating human agency into institutionalised theory, arguing that a focus on “institutional change agents may be more productive.

In this context, the paper focuses on institutional change, in particular, on institutional change agents, by which we mean individuals whose actions can be shown to have contributed to formal or informal institutional change, to the benefit of the wider economy or society as well as to themselves. Such change agents can be government officials but they can

also be private entrepreneurs and it is the latter that we focus on in the empirical part of the paper. For illustrative purposes, three cases of well-known Chinese entrepreneurs are presented, whose actions have contributed to significant institutional change in China, in circumstances where state control was very strong.

By successfully establishing the Geely group in vehicles production in China, Li Shufu acted as a trailblazer in an industry that previously had been monopolised by state companies. In addition, it may be argued that the Chinese consumer benefited from his actions as a result of being able to obtain a more competitively priced vehicle than had previously been available.

Xu Wenrong was certainly a pioneer who challenges the existing order by setting up a non-state-owned enterprise in a locality where a state-owned company had failed, at a time when central planning prevailed in China. He also challenged the hands-on involvement of local government officials in TVEs, developing a more effective management model for this type of enterprise. His actions are of wider significance firstly because of the key role played by TVEs in the development of the non-state-owned sector in China; and secondly because he was a pioneer in their restructuring which has affected most of the TVE sector in the last decade.

The third case of Xu Fuxin demonstrates the need for an entrepreneurial approach to the exploitation of the existing regulatory framework if radical innovation is to take place in the Chinese economy. The issue is part of a wider problem in countries with a highly bureaucratic approach to regulation and licensing, such as China. In this particular case, Xu Fuxin undoubtedly benefited from the alliance of common interest between himself and a large state-owned company (i.e. China Telecom).

In considering the wider implications of these cases, two limitations of the paper must be emphasised. The first is that the cases are among the best known and most successful

entrepreneurs in China and cannot be considered representative of the Chinese business community. The second is that the limitations associated with reliance on secondary source material that is in the public domain, which in China is more difficult to supplement with primary data from interviews with entrepreneurs and/or key informants such as journalists and other experts than it is in many other countries.

In this context, it is important to emphasise the exceptional nature of the three cases described in the paper, since their success and profile affects their influence and role as agents of institutional change. As Yang (2007) emphasised, many entrepreneurs and officials in China have little interest in institutional change because they are benefiting from exploitation of the institutional holes that exist. But the entrepreneurs whose activities are described in the latter part of the paper require radical institutional change in order to achieve their objectives. This means that the role of private entrepreneurship as institutional change agents varies according to the success and profile of the agents as entrepreneurs, as well as on the nature of the business opportunities which they wish to promote.

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