

# **GOVERNMENT INTERVENTION, SEEDLING APPROACH, AND GLOBAL NETWORKS: A MODELING FOR THE CHINA-WAY OF ENTREPRENEURSHIP**

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## **Abstract**

*From an evolutionary perspective, this paper reviews the three-staged developmental mechanism of China-way of entrepreneurship, which is viewed as the combinative results of ideological transformation, institutionalization and privatization, and industrialization and technological innovation. From a dialectical perspective, this paper examines the weaknesses and impacts of government policies on the development of entrepreneurship, which is viewed as the combinative results of dual-track policy, financial policy, FDI policy, science, technology, and innovation policy, education and human capital policy. The results of in-depth and extensive literature review and interview paves a ground for this paper to contour the taxonomy and four constraints, and to distinguish the peculiarity of entrepreneurship in China from the universality of entrepreneurship elsewhere. From a theoretical perspective, this paper rationalizes the need for a paradigm shift from polarized to de-polarized or diversified view, and proposed that, the network-based framework (aka: the neo-classical economics), may be a theoretical fit to reflect the peculiarity of entrepreneurship in the context of China politically controlled economic system. In conclusion, this paper confirms that, entrepreneurship does exist in China, and that, government intervention and seedling approach are strategic and exogenous forces, while imitation, low profit margin are tactical and endogenous approaches to the global production and trade networks (GPTNs) - together, they constitute the formational or developmental mechanism of the China-way of entrepreneurship, namely, Chintrepreneurship.*

*Keywords: Network-based framework; Political-Economic system; Dual-Track policy; Dialectic; Government intervention; Seedling approach; GPTNs; Developmental Mechanism; Chintrepreneurship*

## INTRODUCTION

The rapidly globalized business environment and the exploded IT-technologies during the past thirty some years, has forced a conceptual transformation of entrepreneurship from a developed countries privilege to a globally pursued business motto. In China for example, the concept of entrepreneurship was tabooed, ideologically as an oxymoron, practically as a capitalistic activity prohibited, suppressed and stifled for three decades (during Mao Zedong regime from 1949 to 1978), and dramatically as an economic policy after the takeover of Deng Xiaoping in 1978. Such a conceptual transformation has triggered a series of theoretical questions, including but not limited to: Why and how the strategically diverged economic development, due to the country specific political system and resource availability, can be tactically converged into an identical transitional path, from imitative economy to innovative? How does this transitional path relate to the country specific business environment? Can entrepreneurship be really terminated in a politically controlled economic system, like the one in China (Liao & Sohmen, 2001)? These questions not only reflect the unfitness of Western framework in explaining the emerging phenomenon, but most importantly, indicate an imperative need to upgrade the existing theory of entrepreneurship, which has been sarcastically humiliated in a communism autocratic society like China, conceptually misidentified and misinterpreted as a synonym of enterprise, and purposefully twisted and confused with the management of entrepreneurship (Zhao, 2014).

Although repeatedly defined and debated in the previous literature, the most distinguished definition so far stipulates that, entrepreneurship is a continuing process of risk taking and sharing activities, from generating/capturing the new and/or innovative ideas and opportunities (Hills, 1994), organizing and allocating resources, and simultaneously transforming them into business values (Zhao, 2014; Zhao & Zhang, 2016). To these scholars, the management of entrepreneurship is defined similar to the Project-Oriented management system, aiming to establish a sustainable mechanism to tackle the frequently encountered constraints such as project scope, schedule and budget. Note that, newness constitutes the fundamental trait of entrepreneurship. NEW technologies and/or NEW business models make an entrepreneurial process not only a new way of doing business, but also a disruptor to an existing market. For this reason, the term 'entrepreneurs' equates to the term 'innovators', the 'entrepreneurship' the 'innovation'. The degree of newness determines the chances of entrepreneurial success (Zhao, 2014). Therefore, an entrepreneurial process is determined by not only those exogenously or objectively involved factors such as risks, opportunities and resources, but also those endogenously or subjectively engaged factors such as skills, capabilities and adaptabilities to the dynamically diversified business environment (Zhao & White, 2010).

Entrepreneurship can only evolve from a politically democratic and economically market oriented and competition driven ecological system, therefore, how the entrepreneurship has been cultivated in a country like China, wherein, economic system is historically, politically and culturally controlled by its monarchy, autocratic, centralized, unified, and planned market economy, namely, the peculiar way of China socialistic market economy, is beyond the domain of existing knowledge. Motivated to fill this need, the network-based framework is invited in this paper, to unfold the ecological mechanism of China-way of entrepreneurship, which is proposed as a combinative result of government intervention and seedling approach, in the context of diversified and globalized business environment.

Conclusively, this paper contends that, entrepreneurship is genetically rooted, inherited but varied in the evolution of ecologically infrastructure economic system. Regardless of the harshness of environmental constraints like the one in Mao's regime, entrepreneurship does exist, but varies in form, scale and scope. Put differently, the liveliness of entrepreneurship cannot be eradicated. Instead, it can be revitalized through the seedling approach like the one happened in Deng' period. Hence, the elasticity of entrepreneurship to the change of environment may draw future research interests, in order to leverage the development of entrepreneurship and to maximize its benefits under different environmental settings.

## RESEARCH OBJECTIVE AND RESEARCH APPROACH

By briefly reviewing the historical and transitional path, from Mao's period (a centrally planned economy), to Deng's period (a pseudo- or quasi- market economy), this paper endeavors to examine the impacts of government interventions (political and institutional reforms) combined with seedling approach on the development of entrepreneurship within the specifically structured environmental settings (sociologies, cultures, beliefs and norms) in China. To a broad extent, this paper aims to disclose and unfold the elastic nature and survival mechanism of entrepreneurship, and theoretically argues that, entrepreneurship, although varying in forms and evolving at levels, is genetically inherited within an economic system over time.

Given the difficulty of firsthand data collection in China, this paper methodologically relies on secondary resources, interviews, and an extensive and in-depth literature review, explores, analyzes and discusses the developmental mechanism of entrepreneurship. Motivated to contribute in this direction, this paper starts by exploring the evolutionary path of entrepreneurship in China, rather than by following the traditional route from theoretical discussions to empirical adjudication, then, focuses on analytical comparisons of the extant theoretical frameworks, their respective strengths and weaknesses, and lastly, rationalize the formational mechanism of CHINTREPRENEURSHIP, namely, the China-way of

entrepreneurship, in the context of China political, institutional, social and economical transitions. To a certain extent, knowledge gaining is like a process of puzzling. Thus, the purpose of this paper is, using China as a lab, to share a few different viewpoints, comparatively new to the existing literature of entrepreneurship.

## **AN EVOLUTIONARY VIEW: POLICY, INSTITUTIONALIZATION AND ENTREPRENEURSHIP IN CHINA**

Entrepreneurship was politically prohibited under the regime of Mao, Zedong from 1949 to 1978 in China (Whyte & Parish, 1984). The power shift from Mao Zedong to Deng Xiaoping in 1978, represents a demarcation, from centralized to decentralized control, or, from planned to pseudo-market economy (quasi-), namely, the so called socialist market economy (Nee, 1996). Ever since, the second generation of China communist leadership headed by Deng, has led the country steadily marching into an new era of political-economical reforms and institutional changes, resulting in an irreplaceable and indisputable achievement. Albeit conceptually suspicious or a bit of frustrated, nevertheless, majority of Western scholars have undoubtedly witnessed and acknowledged the double-digit GDP growth, the mushroomed entrepreneurial prosperity, and most notably, the hard-to-believe social change – all can be eligibly used to verify the limitations and perhaps the prejudice of existing knowledge of Western framework of management and economics (McMillan & Woodruff, 2002; Zhao, 2016). Lacking sufficient and in-depth understanding on such an emerging entrepreneurial and economic phenomenon has become an increasingly intensified academic crisis (Cull & Xu, 2006; Nee, 1992; 1996; 1998; Peng & Heath, 1996; Steinfeld, 2007; Zhao, 2014). Zhao (2016) claimed that, without understanding the role-change of government in a chronological order, it would be impossible to understand the developmental mechanism of entrepreneurship in China.

### **A Chronological Roadmap of Entrepreneurship in China**

From 1949 to 1978, China is politically referred as a left-wing dominated socialist society, in which, private sectors were prohibited. By the end of 1956, China has thoroughly completed its transition from a feudal-capitalist, wartime and decentralized economy (pre-1949), to a collectivized, nationalized and centralized economy (post-1949). In this period, China adopted basically the footprint of former USSR in political, institutional, social and economical models. Government is the sole owner of properties and resources, controlling and determining the inputs production, the outputs allocation and the market distribution. A lifetime employment is offered through the DanWei (单位 working units) system, commonly referred as an 'Iron-Bowl

(铁饭碗)’ system to guarantee a stable income, housing and benefits, while restrict people to a fixed geographical location (i.e. province, city, town, village) without freedom of moving around as personal or family wills. Despite such a suppressive system, entrepreneurial activities were not entirely eradicated in China (Ding, 1994), Black market or underground economy still existed on a small scale, through speculation and rent-seeking. Worse came to the worst was the Cultural Revolution, leading the nation into the dark-age of the 10-year disaster (1966-1976), politically and spiritually an inhuman chaos, economically and materially a devastated crisis.

Given that China is historically a monarchy oriented nation. Therefore, the success of China reformation since 1978 is unquestionably attributed to Deng Xiaoping's leadership, a modern figurehead of monarch, rescuing China from a nightmare, by initiating and implementing a series of political, institutional, social and economical reforms. The successful path explains itself as a path of entrepreneurship, molded by government policies and regulations. Therefore, the nature of entrepreneurship in China is government-led, rather than business oriented.

### **Entrepreneurship of TVEs 1979-1989: The Stage of Ideological Transformation**

After the succession of leadership, Deng Xiaoping initiated economic reforms by deactivating the collectivism of production system in rural areas as a tentative trial version to call for a series of rural policies, aiming to encourage and incentivize a contract-based business form, namely, the township and village enterprises (TVEs), which is renowned as the prototype of China-way of entrepreneurship, rapidly mushroomed throughout the country, and contributed significantly to the creative impetus of mass production and the growth of China GDP thereafter (Oi, 1999).

Although not qualified as entrepreneurs by Western standards, however, managers of TVEs have demonstrated many entrepreneurial characteristics. The ways they select and switch their product lines, raise funds, organize labors and raw materials, develop distribution channels, and most importantly, the flexible ways they respond to the change of market prices versus the costs of production in the pursuit of nickels-and-dimes profits – all has demonstrated for the first time in the history of P.R. China, a stark contrast to the previously milk-feeding type of behaviors of SOE managers (Wong, Rong & Mu, 1995). In a sense, TVEs set a revolutionary role model for the rapidly emerged and transitioned Chinese way of entrepreneurship thereafter. Nominally, TVEs were registered as collectively-owned enterprises (JiTiZhiQiYe, 集体制企业) authorized by the local governments of small towns or villages. Managerially, they were contracted and managed by individuals, who were incentivized to operate business free from government restrictions. Gradually, the contract-based TVEs were diversified, expanded and transitioned from agricultural to non-agricultural, from rural to urban areas throughout the 1980s

– a period of ideological brainstorm and transformation, from Mao's collectivization to Deng's de-collectivization, fundamentally sabotaging the communist belief in proletarians. By the end of 1980s, there has emerged privately owned business commonly referred as GeTiHu (个体户), namely, those individuals giving up their Iron-Bowl jobs to start their own business (XiaHai下海, jumping into the sea). Noted that, TVEs and GeTiHus were the survival-based entrepreneurship in China (See Table 1):

Table 1: Milestone Policies and The Development of Entrepreneurship in the 1980s

Policies and Events	Positive Impacts
In December, 1978, the 3 <sup>rd</sup> Plenum of Chinese Communist Party's 11 <sup>th</sup> Central Committee initiated political-economical reformation, symbolizing a landmark revolution in the communist history of China (Gregory, Tenev, & Wagle, 2000).	In 1979, the non-state-owned enterprises, initially referred as the commune and brigade enterprises, was officially allowed in rural areas, later in the March of 1984 renamed as TVEs, leading an explosive growth of China light industries throughout the period of 1980s (Wong, 1988).
In June, 1988, the 1 <sup>st</sup> Plenary of the 7 <sup>th</sup> People's Congress passed the Article 11 of the 1988 Amendment to the Constitution of the P.R. China, and issued a Tentative Stipulation on Private Enterprise (TSPE) by the State Council, with specified details admitting the rights and obligations of private sector, and permitting private entrepreneurs (aka: GeTiHu) and their enterprises (aka: GeTi QiYe) to register and operate business in urban areas throughout China (Zhang & Ming, 2000).	Starting from the June of 1988, privately owned enterprises (POEs) became eligible to register either as individual business units (GeTi QiYe) with a max of eight employees, or alternatively, as collective business units (JiTizhi QiYe) without the limitation of employee size. The cutoff of eight is said to comply with the labor theory of Marxism that, an enterprise of greater than that size could lead to the exploitation of others labor and Wealth (Whiting, 2001). Although collective units were practically POEs by nature, however, being registered and licensed as collective units was like wearing a red hat, a trusted identity-mark to receive some privileged advantages, such as less administrative and discriminative harassment, stronger credibility and market recognition (Gregory, Tenev, & Wagle, 2000). Due to the threshold of registration, the overall increase of private units outpaced the increase of collective units (Zhang & Liu, 1995). It was estimated that, by the end of 1980s, the output of TVEs alone accounted for 20 percent of China's gross output (Liao & Sohman, 2001). Unfortunately, the boom of entrepreneurship was regrettably interrupted by the June 4 <sup>th</sup> Tiananmen Square incident in 1989, resulting in a significant fallback of entrepreneurship in China (Young, 1995).



### **The 1990s' Entrepreneurship: The Stage of Institutionalization and Privatization**

The period of the 1990s may be described as a period of institutional reformation, aiming to uniform the cognition of the nation on the private ownership, or, change the ideologically distorted and discriminative attitude against private ownership, and pragmatically rather than rhetorically, institutionalize and operationalize Deng Xiaoping's 'getting rich is glorious' in conjunction with 'allowing a few people and places to get rich first', a series speech made during his South Tour in 1992. Such a remarkable speech rebuilt the image of China communist party worldwide, laid a solid foundation to rationalize his theoretical framework of the socialist market economy, to openly legitimize the private ownership, and to massively stimulate the development of entrepreneurship. To a certain extent, Deng's South Tour Speech functioned as a declaration of China industrialization and privatization, and subverted the Mao' ideological foundation of communism and socialism.

In response to Deng Xiaoping's 'getting rich is glorious ..... allowing a few people and places to get rich first', the Dual-Track Model (discussed in details later) was launched, and later regarded as the most creative and effective economic model in stimulating and strengthening entrepreneurial and economic reforms. Subsequently, the construction of Special Economic Zones and the Industrial Parks were initiated as the government funded projects, which were, like experimental trials, authorized to adopt a set of privileged policies different from the rest of the country, such as the lowered threshold of business registration, the eased, simplified and liberated bureaucratic formalities of the exclusively operated state-owned banking and stock market regulations, and the specially tailored tax holiday policy, just to name a few – all has incentivized and expedited the developmental speed of those special zones and industrial parks. From macroeconomics perspective, the sharp contrast between the fanatic wave and a rapid surge of private sectors and entrepreneurship within these special zones and industrial parks, and the slow move of the rest of the country, has exposed the weakness of the long existing stagnant institutional system that has hindered and will continue to hinder the continuity of economic reforms. It must noted that, in addition to special zones and industrial parks, a nationwide infrastructure construction project was also sponsored by government in the 1990s, aiming to improve business environment and escalate economic reform, including but not limited to highways, airports, sea ports, telecommunication networks and real estate properties.

Confronting the political and ideological obstacles (within the party) against the revitalization of private ownership, in conjunction with the increasingly exposed resource waste and economic inefficiency of SOEs, Deng and his government decided to strategically reduce the financial burden by forcing SOEs to reform, leading to the industrialization and privatization from the mid of 1990s. Such an institutionally oriented economical strategy not only succeeded

and but also forced the repeals or changes of many communist institutional settings and legal regulations. However, a dialectical view is needed to evaluate the impacts of this institutional strategy. On the one hand, it expedited the reforms of SOEs including banking system (ex: the change of loan portfolios), and most significantly, it fertilized the exponentially expanded scale and scope of POEs across industries. On the other hand, combination of industrialization and privatization had led a huge number of laid-offs from SOEs (Steinfeld, 1998; Young, 1995). A research finding shows that the annual contraction rate of SOEs during the period of 90s is at least three million workers (Pomfret, 2000). Such a huge scale of laid-offs was seemingly resulted from the privatization and consolidation of industrial resources, but actually, it was a government behind-the-scene strategy to get rid of financial burdens. To this end, a dialectical view is needed to analyze the overall effect of China institutional reforms during the 90s. Perhaps, Darwin's 'survival of the fittest' might best explain the nature of life.

Despite the 90s' phenomenal achievement of institutional reform, privatization, infrastructural development, and perhaps the improvement of overall business environment, private ownership and entrepreneurship were still subjected to ideological discrimination and distrust in the eye of government (Qian, 2000). The interest of government has been focused mainly on the development of SOEs, in order to compete in the global market. To this end, the peculiar but dilemmatic roles of government in the development of entrepreneurship and economic growth deserve in-depth understanding (See Table 2):

Table 2: Milestone Policies and Their Impacts on Entrepreneurship in the 1990s

Policies and Events	Positive Impacts
Deng Xiaoping's rhetoric wordings during his 'South Tour' speech in early 1992, such as 'getting rich is glorious', 'letting few people and places to get rich quickly', and 'white cat, black cat, only those capturing mouse are the good cats' .....	Deng Xiaoping's 'South Touring Talk' speech broke the political gridlock resulted from the June 4 <sup>th</sup> of 1989 Tiananmen Square incident; inspired and stabilized the nation's determination of economic reformation and revitalization of private sectors; incentivized the privatization by initiating the 'particularistic contracting' program, to allow individuals to take over SOEs, laying the foundation for later large scale and diversified privatization; and liberated stock market operations by removing the price caps on the Shanghai Stock Exchange in May of 1992.
The 14 <sup>th</sup> Party Congress in September 1992, and the 3 <sup>rd</sup> Plenum of the 14 <sup>th</sup> Central Committee in 1993, officially defined and theorized the	The theoretical framework of 'socialist market economy' was used to brainwash and change the long-upheld discriminatory ideology against the private sectors. A set of institutional policies was implemented thereafter, to stimulate and expedite the processes of industrialization and privatization:



Table 2: Milestone Policies and Their Impacts on Entrepreneurship in the 1990s

Policies and Events	Positive Impacts
concept and framework of 'socialist market economy', as the nation's guiding policy for economic reforms, marking a new era of Chinese communism and socialism.	<ul style="list-style-type: none"> <li>Grasping the large and releasing the small (zhuada fangxiao抓大放小) was a policy to cut-off or reduce SOEs' reliance on state finance, and turn them into more independent and competitive companies (Young, 1995). The profundity of this economic policy is far-reaching in guiding the nation's industrialization and privatization of SOEs, including the state strictly controlled financial industries such as foreign exchange, taxes and the monetary system (Qian, 1999). To a certain extent, such a policy deserves to be placed at the core of the Socialist Market Economy Framework, guiding the nation's economic reforms therefore. As a result,</li> <li>The government has successfully jumpstarted SOEs and revitalized their competitiveness by liberating them from huge financial burdens and inefficiencies. By the end of 1996, 50-70 percent of SOEs were privatized, resulting in the laid-offs of 11.5 million (Qian, 1999).</li> </ul>
The 15 <sup>th</sup> Party Congress in September 1997 issued three statements, officially defined the co-exist relationship of three types of ownership, namely, state, public and private. On March 15 <sup>th</sup> , 1999, the 2 <sup>nd</sup> Plenary of the 9 <sup>th</sup> People's Congress approved these statements as an amendment to the Constitution.	<p>Since 1999, the private sector has been legally given the same footing as state and public sectors, resulting in relieved restrictions on private enterprises (People's Daily, April 9, 1999).</p> <ul style="list-style-type: none"> <li>Private ownership became an important component while the State ownership is the pillar of the economy; Public ownership is and can be established through joint stock investment.</li> <li>The co-existing system of the three types of ownership not only marked an ideological split from previous stance of Chinese communism and socialism, but also left a political dilemma for history to explain.</li> </ul>

### Post-2000s – The Stage of Institutionalization, Industrialization and Technological Innovation

The post-2000s is a period of consolidating the institutional environment established in the past 20-years (the 1980s and the 1990s), in order for government to lead the nation into a new round of economic transformation, from the 'Made in China', to the 'Design in China'. Therefore, re-organizing industrial structures, integrating resources and strategizing the technology and innovation oriented entrepreneurship, were set as the tactical objectives of the nation's industrial reformation and economic growth (Zhao, 2012). Accordingly, the transition from traditionally

labor intensive manufacturing economy to a service and consumption oriented economy became a strategic challenge for the forthcoming industrial and economical reforms in China (Zhao, 2014; 2016). Correspondingly, science, technology, innovation and entrepreneurship were systematically integrated into economic policies and long term strategies, and institutionalized as the key drivers in promoting the industrial reforms for the period of the post-2000s (OECD Review, 2007).

In the period of post-2000s, three government-initiated entrepreneurial projects deserve special attention. The first is the project of industrial resources reorganization, resulting in a nationwide mergers and acquisitions (M&As) across industries, aiming to continue the privatization of SOEs, and strengthen the indigenous industrial competitiveness, and most importantly, shake off or reduce government fiscal and financial burdens. The second is the state funded construction project of science and technology parks with similar privileged policy treatments as given to economic zones and industrial parks during the 80s and 90s. However, the construction model of science and technology parks is in sharp contrast with the model of economic zones and industrial parks, which were built and operated by government and transferred to firms (BOT model). The reversed BOT model of science and technology parks took the opposite way, by selecting firms through a bidding process to build and operate, and then, transfer to government. Such a model-change demonstrates the creativity of China government in creating a win-win-win situation, namely the builder, the government, and the society. Ultimately, the project of science and technology parks facilitates and stimulates the incubation of R&Ds, incentivize the technology-based innovators and their entrepreneurial activities, and escalate the overall industrial and economic transitions. The third project is to industrialize and commercialize education, especially the tertiary education, in order to dissolve the increasingly emerged issues, such as the brain drain, the lack of indigenous intellectual resources, as well as the slack of indigenous innovation (Yang & Li, 2008; Zhao, 2012; Zhao & Zhang, 2016).

Table 3: Milestone Policies and Their Impacts on Entrepreneurship in the Post-2000s

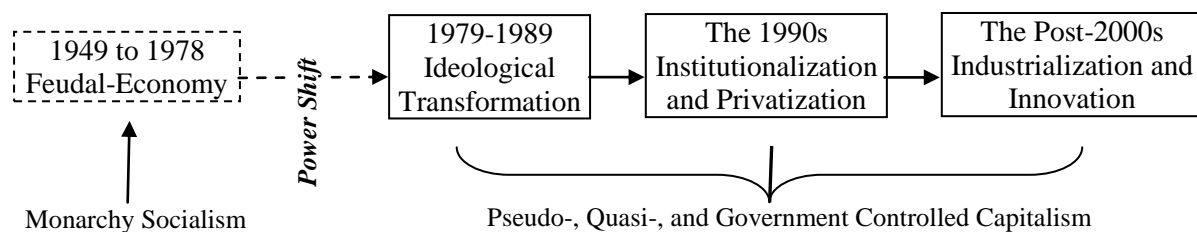
Policies and Events	Positive Impacts
The post-2000s is a period of institutionalizing industrial reforms, aiming to re-organize industrial resources and to re-jumpstart the competencies of indigenous enterprises,	<ul style="list-style-type: none"> <li>The government launched the Knowledge Innovation Program (KIP), aiming to redirecting the nation's research resources in order to create a few of world-class research institutes. Chinese Academy of Sciences (CAS), the country's most prestigious state owned research agency was chosen as the first experimental subject for organizational reforms, such as downsizing and re-organization. Selecting CAS was primarily due to</li> </ul>

Table 3: Milestone Policies and Their Impacts on Entrepreneurship in the Post-2000s

Policies and Events	Positive Impacts
<p>especially those SOEs. Government-led mergers and acquisitions were the widespread activities across industries during this period. Meanwhile, science, technology, innovation and entrepreneurship were positioned and enforced as the main drivers of economic development, resulting in the emergence of various new industries, such as venture capital as a financial intermediary.</p>	<p>the request and proposal of Deng Nan, the 2<sup>nd</sup> figure of CAS leadership, and most importantly, the daughter of Deng Xiaoping. After visiting MIT and witnessing the high levels of institutionally encouraged technological innovation and entrepreneurship in USA, Deng Nan was motivated to emulate such mechanism in China (Roberts, 2009).</p> <ul style="list-style-type: none"> <li>• Innofund was passed in the end of 1999 and implemented thereafter, as a dedicated funding channel to support the development of entrepreneurship, especially for the technology and innovation oriented small and medium enterprises (SMEs).</li> <li>• The entry of WTO in 2001 was a landmark era for China economic development. Among others, improving the IPR system and transforming the China-way of entrepreneurship, from imitation oriented to technology and innovation oriented – became inevitably the priorities of China economic and industrial reforms, endowing China a new mechanism of entrepreneurship and economic growth (Zhao, 2012; 2013; 2016).</li> </ul>

In summary, China economic reforms in the past three decades was triggered by the power shift from Mao to Deng in 1978, resulting in a series of political and economic transitions from socialism to pseudo-, quasi- capitalism (See Table 1, 2, 3). Such a transitional process may be depicted as the results of government interventions (See Table 1, 2, 3). Therefore, the developmental mechanism of entrepreneurship in China must be interpreted from a longitudinal perspective, in order to understand the impacts of the staged role-change of government and policies on political, institutional, social and economical transformations, which, according to Zhao (2016), constitute the peculiarity of China business environment (See figure 1).

Figure 1: The Roadmap of Political, Social and Economical Transformation, 1949 – Post-2000



## A DIALECTICAL VIEW: GOVERNMENT POLICIES AND THEIR IMPACTS ON ENTREPRENEURSHIP IN CHINA

A dialectical mindset is critically vital, to understand the strengths and weaknesses of government policies and their negative impacts, in order to objectively evaluate the peculiarity of government-led entrepreneurial model in China in relation to its economic transformation, and to provide applicable parameters for other developing countries (See Table 1, 2, 3). Therefore, this section discusses the merits and demerits of eight policy aspects, namely, Dual-Track Policy, Financial Policy, FDI Policy, Science and Technology Policy, Innovation Policy, Higher Education Policy, Human Capital Development Policy, Intellectual Property Policy, as well as their respective impacts on the evolution of entrepreneurship in China.

### Dual-Track Policy and Entrepreneurship in China

Initially in 1979, the Dual-track policy was launched as a differentiated tax revenue sharing program, authorizing certain provincial governments (Guangdong, Fujian, Zhejiang) to decide and implement their respective pricing system, pay a fixed amount rather than taxed amount of the provincial revenue to state finance, and reserve the residuals. These provinces were selected, primarily because their coastal location (Naughton, 2003). The policy was officially referred as an incentive package (Gregory, Tenev, & Wagle, 2000) to strategically stimulate regional economic growth (Nee, 1996). Until 1988, the policy was institutionalized nationwide and expanded to the subordinating levels of provincial government system (Qian, 1999). The dual-track policy has been widely deemed as one of the most successful policies in decentralizing the planned economy, without disturbing China political stability (See Table 4).

Table 4: A Dialectical Perception on the Dual-Track Policy in China

Positive Impacts of Policies	Weaknesses
<p>The policy has indisputably stimulated and incentivized regional development of institutional reforms and entrepreneurship.</p> <p>Most importantly, the policy has safeguarded the political stability and</p>	<p>The dual-track policy has induced regional disparity, wealth disparity and unfair mechanism of competition (Nee, 1996), constituting the main feature of China economic geography, fragmented by its government on purpose (Young, 2000). Accordingly, Xiamen in Fujian Province (Taiwan strait), Shantou, Shenzhen, and Zhuhai in Guangdong Province (near Hong Kong and Macau) were the first batch of special economic zones authorized by the central government in 1980 (Qian, 2000), to adopt and institutionalize a set of special policies (teshu zhengce), dedicated to attracting FDIs and encouraging private entrepreneurship only within these special zones. Consequently, the policy has triggered the rise of regional protectionism,</p>

maintained a smooth leading to the regionally concentrated business resources and suppliers, which in transition of economic turn, distanced and worsened the disparities between the coastal and inland areas, reforms. not only economically but also politically and institutionally.

### Financial Policy and Entrepreneurship in China

The entire financial banking system, since the founding of China in 1949, has been solely controlled by central government, through a process of planning and distributing the budgeted funds to the sequential order of provinces, cities and counties. Until the mid-1980s, bank loan officially became the state financial and tax operations but only available for SOEs, which were taxed and reimbursed back to them proportionately in the following annual fiscal budget. Note that, POEs were not eligible for the bank loans of any kind in the 80s (McMillan, 1997; Nee, 1992). Such a central-control and closed-looping financial system suffocated or hindered the efficient development and exploitation of capital resources (Boyreau-Debray & Wei, 2005; Chow & Fund, 2000; Steinfeld, 1998). Despite a few specially authorized private equity firms in the early 1990s, The private venture capitals (PVCs) were officially approved to enter and operate in China financial market until the very end of 1990s (Bruton & Ahlstrom, 2003). To this end, a dialectical understanding on the evolution of China financial system reformation, especially the development of PVCs market, would objectively help understand the intrinsic mechanism of the development of entrepreneurship in China (See Table 5).

Table 5: A Dialectical Perception on the Financial System Reformation Policy in China

Positive Impacts of Policies	Weaknesses
<p>In March 1998, a number of policies were launched to stimulate the financial, venture capital and investment market reforms (Batjargal &amp; Liu, 2004). However, financial reform was officially approved by the State Council on the 16<sup>th</sup> of November 1999, and jointly initiated by the Ministry of Science and Technology and the State Development and Planning Commission, aiming to establish a Venture Capital Investment system dedicated to propelling and boosting the nation's overall capability of innovation and entrepreneurship. Accordingly:</p> <ul style="list-style-type: none"> <li>• a total of over \$16 billion dollars of initial venture capital funds was invested by government to jumpstart the venture capital market,</li> <li>• a set of regulations was issued to incentivize the venture capital market, such as the eased threshold for foreign venture capital</li> </ul>	<p>Although financial reforms has been successful in opening/liberating the strictly state-controlled financial system, and propelling/expediting the transition from a centralized and planned economy, to decentralized and market-oriented economy, however:</p> <ul style="list-style-type: none"> <li>• due to the lagged legal and institutional systems, financial reforms exacerbated and escalated the level of both corporate and individual corruptions (Zhao, 2016). It is estimated that, a total of trillions</li> </ul>

Table 5: A Dialectical Perception on the Financial System Reformation Policy in China

Positive Impacts of Policies	Weaknesses
<p>firms to enter China financial market. As a result,</p> <ul style="list-style-type: none"> <li>there appeared a dramatic change of venture capital market, in which, the market players has significantly shifted in a ten-year period, from 90% of state-owned VC firms in the early 1990s, to only 10% of state-owned VC firms in the late 1990s (Zeng, 2004). By 2001, there were 180 VC firms in China, and majority of them were joint ventures, predominantly concentrated on IT and consumer/retail industries (Batjargal &amp; Liu, 2004).</li> </ul>	<p>dollars worth of dead-debt is under investigation, in the meanwhile,</p> <ul style="list-style-type: none"> <li>due to the lack of experiences in finance and investment, government failed to perform, fulfill and realize its anticipated objectives from its initial venture capital investment</li> </ul>

### FDI Policy and Entrepreneurship in China

Economic and institutional reforms broadened the channel for FDIs to enter China market, and stimulate the development of entrepreneurship and economic growth (Alfaro & Charlton, 2007, Zhao, 2014; 2016). Majority of FDI firms in China are composed of three ethnically connected economies, namely, Hong Kong, Macao, and Taiwan (Huang, Jin, & Qian, 2008). In addition to business investment, these ethnic groups, due to the shared Chinese language and similar cultural background, also engaged in helping government to learn, adapt and institutionalize modern management systems and international business norms such as contract enforcement and dispute resolutions, which contributed to the globalization process of China business environment (Huang, 2008; Tong, 2005). Despite positive roles of FDI policies, some unintended side-effects also deserve attention in a dialectical manner (See Table 6).

Table 6: A Dialectical Perception on the FDI Policy in China

Positive Impacts of Policies	Weaknesses
<p>It is indisputable that, the FDI policies launched by government have been successful and effective in attracting foreign investors, whose superior R&amp;D capabilities and advanced knowledge and technologies have indeed stimulated the development of indigenous firms' innovation and entrepreneurship. Put differently, indigenous firms have been benefited from FDIs' knowledge diffusions or spillovers (Backer &amp; Sleuwaegen, 2003; Breznitz, 2007; Gorg &amp; Strobl, 2002).</p>	<p>Given the cronyism oriented Chinese culture, policy is likely to be executed differently from people to people, and distorted from region to region, therefore, FDIs are always challenged to establish an appropriate strategy adaptable to business and institutional environment. Put differently, FDIs' superior technological and managerial advantages are likely to be discounted in China (Zhao, 2016). Nevertheless, due to their inferior competencies, indigenous firms are always threatened to be crowed out of market by FDIs, (Huang, 2003; 2005; 2006; 2007).</p>



## Science and Technology Policy and Entrepreneurship in China

During the Mao's regime, China inherited the former Soviet institutional model, to which, research institutes are state owned properties, dedicated to research and isolated from business practices. Government was the coordinator, determining the connection between research and industrial development (Law, 1995; Xin & Normile, 2008), and meanwhile, overseeing and planning the annual budget of national research projects (Liu & White, 2001). Since 1978, science and technology systems have been redefined and repositioned as the driving force of economic reformation (See Table 7).

Table 7: A Dialectical Perception on the Science and Technology Policy in China

Positive Impacts of Policies	Weaknesses
<p>In 1985, the central government of China officially passed a resolution to reform its institutional structure of science and technology system, resulting in abandonment of the Soviet model (Motohashi &amp; Yun, 2007). This reform was aimed to link research institutes and universities with business entities, and to efficiently transform research outcome into market values. Consequently:</p> <ul style="list-style-type: none"> <li>• A state budget-cut plan was launched in 1986 and continued to decrease at an annual rate of 5% (Zhou, Li, Zhao, &amp; Cai, 2003). In the meantime, government allowed research institutes and universities to start their own enterprises as a source of funding, resulting in a nationwide mushroom of technology-oriented entrepreneurship.</li> <li>• Having tasted the sweetness of commercializing science and technologies, and in order not to miss out potential opportunities, the government passed the 863 Program, which is the state-funded project of Industrial and Science Park, to further dig and exploit the value of science and technology (Zhang, Li, &amp; Schoonhoven, 2009).</li> </ul>	<p>Lack of strong legal system in place to protect intellectual property, lack of incentive programs to encourage the development of intellectual assets, and most importantly, lack of an institutional system to proactively prevent academic plagiarisms.</p>

## Innovation Policy and Entrepreneurship in China

Innovation was initially promulgated as one of China national policies in early 1970s, but unfortunately interrupted or stifled by the intervals of political movements. Until the mid 1980s, it was revitalized and institutionalized as a national policy of economic reformation (Hong, 2008). Interestingly note that, majority of innovation literature heavily focused on those developed countries such as U.S. and European countries (Freeman, 2005), while, developing economies are rarely part of the scholarly dialogue in this field (Lu, 2000). It seems that, products are developed in rich countries and then off-shored to low-waged countries (Vernon, 1966) – such a product-cycle model, although prejudiced and perhaps outdated, still occupies, influences and

misleads the current thinking, (Zhao, 2016), ignoring the fact that those emerging and low-waged countries have also been striving and experiencing entrepreneurship and innovations in an incremental manner (Puga & Treffer, 2005).

The main stream of innovation literature has focused on the inter-dependent relationship between innovation policy and economic growth. Such a relationship is subjected to the institutional variations from country to country (Breznitz, 2007). Empirical findings suggested that, a nation's innovation capacity is determined by the combinative effects of policy support and financial input in R&Ds and intellectual assets, and that, stronger innovation policy and greater financial investments in R&D activities may lead to greater economic growth (Furman, Porter & Stern, 2002; Furman & Hayes, 2004). Another stream of innovation literature has highlighted the roles of government and institutional system in stimulating and enhancing national innovation and R&D activities, emphasizing that, the function of government is to design and execute an innovation policy system as an interface to bridge the linkage between universities/research institutes and industries (Motohashi, 2005; Motohashi & Yun, 2007), to coordinate, assure and expedite knowledge transfers/spillovers and information-flows between universities/research institutes and industries (Breznitz, 2007; Freeman, 1987; Nelson, 1993). It must be noted that, the government policy-led development of Industrial and Science Parks (discussed earlier in this paper) has played an irreplaceable role in transforming and commercializing the innovation-oriented knowledge and technologies (Hong, 2008). To a certain extent, the development of Industrial and Science Parks might be considered as a modified dual-track model (discussed earlier), from small scale trial (i.e. special economic zones and parks), to large scale application nationwide across industries. This is why Zhao and Zhang (2016) argued that, understanding the mechanism of China-way of institutionalization determines the understanding of the peculiarity of China-way of entrepreneurship and innovation (See Table 8).

Table 8: A Dialectical Perception on the Innovation Policy in China

Positive Impacts of Policies	Weaknesses
<p>The policy-led Industrial and Science Parks throughout the 1990s has greatly contributed to the incubation of innovation (Cai, Todo, &amp; Zhou, 2007).</p> <ul style="list-style-type: none"> <li>The most successful example is the Zhongguancun Science Park (aka: Z-Park), the earliest and the largest innovation-oriented science park established in 1988, located in Haidan District, Beijing, China, and renowned</li> </ul>	<p>The negative and suppressive impacts of innovation policy deserve an in-depth analysis, in order to provide insightful and meaningful information (Huang, 2008).</p> <ul style="list-style-type: none"> <li>In China, the lagged institutional and legal systems were factors, restricting the execution, or hindering the functional</li> </ul>

Table 8: A Dialectical Perception on the Innovation Policy in China

Positive Impacts of Policies	Weaknesses
<p>as China 'Silicon Valley', composed of tens of thousands IT-firms, both indigenous and FDIs including those high-tech giants such as Google, Panasonic, Motorola, IBM, Microsoft and Nokia (Cai, Todo, &amp; Zhou, 2007). Another innovation policy-led science park is the Tsinghua Science Park, established in 1999 as the first national university affiliated science park in China.</p> <ul style="list-style-type: none"> <li>• Innovation policy has been functioning as entrepreneurial hubs to incentivize indigenous IT-sectors, and even the industrial modernization in China (Segal, 2002).</li> </ul>	<p>effectiveness of the innovation policy (Guthrie, 1999).</p> <ul style="list-style-type: none"> <li>• The differentiated policy treatment between the Industrial and Science Parks and the rest of the country is discriminative, resulting in 'Identity-disparities' or 'regional disparity', ruining the fundamental mechanism of fair competition and development of entrepreneurship.</li> </ul>

### Higher Education Policy and Entrepreneurship in China

Since 1949, China has copied the former Soviet model to establish its education system, by which, all universities are state-owned, and each university is categorized based upon its historically pre-defined academic specialty, therefore, academic diversity was not a pursued goal (Law, 1995; Xin & Normile, 2008). Unfortunately, the entire university system was shut down during the 10-year Cultural Revolution, and resumed again until the late 1970s with financial aid of \$200 million loan from the World Bank. Starting from the early 1980s, an education reform policy was launched along with a re-defined long-term strategic goal to commercialize education, to expand the capability and capacity of universities and colleges in both scale and scope, and to transform the higher education system into an incubator for the development of entrepreneurship. Noted that, the development of entrepreneurship is vitally determined by environmental factors such as institutions, culture, norms, legal systems and regional entrepreneurial modes (Busenitz, Gomez, & Spencer, 2000; Licht & Siegel, 2006). Added to these factors, some scholars argue that, government policy and education system are decisive in promoting the development of entrepreneurship (Zhao & Zhang, 2016). Education reforms in China have contributed to the growing number of university graduates, and changed the landscape of China labor market and entrepreneurship (Freeman, 2005; Li, et al., 2008).

Consolidation and decentralization were packed into one institutional policy throughout the 1990s in order to re-organize and integrate industrial resources. Such a policy gave rise to the institutional reforms of higher education system, and stirred up a nationwide wave of mergers and acquisitions among universities and colleges, aiming to liberate government from

financial burden of annual budget and enhance both capability and capacity of higher institutions, in terms of their enrollment expansion and institutional rankings. Several small universities or colleges were consolidated as a new one, or merged into an existing one, resulting in a drastically dropped total number of universities in China. Meanwhile, many former national universities were decentralized or localized to the jurisdiction of provincial governments, leading to sharply decreased percentage of national universities, and increased percentage of local universities (Zhou, Li, Zhao, & Cai, 2003). All happened in between 1999 and 2006. Some scholars argued that such a decentralization and localization strategic policy has contributed to the linkage between universities and local governments and enterprises, and hence, facilitated the process of transforming or commercializing knowledge and technology into business values (Hong, 2008). However, its negative impacts also deserve attention (See Table 9).

Table 9: A Dialectical Perception on the Higher Education Policy in China

Positive Impacts of Policies	Weaknesses
<p>Making the strong stronger was at the center of education reform policy launched in 1994 by the ministry of education. Accordingly, three government-led projects were initiated:</p> <ul style="list-style-type: none"> <li>• The first is the Project 211 initiated in 1995 and funded by state finance of \$2.3 billion, aiming to build 100 top universities as the role models measured by three criteria, namely, the state-of-the-art campus infrastructures and teaching facilities, the world class teaching methodology, and the up-to-date curriculum.</li> <li>• The second is the Project 985, started in 1998, aiming to enhance universities' research capability. In 1999, a state funded research grant was issued to the top five universities in China (Peking, Tsinghua, Fudan, Zhejiang, and Nanjing Universities). Soon after, an extended research fund was granted top 30 universities (Xin &amp; Normile, 2008).</li> <li>• The third project, known as the Knowledge Innovation Program (KIP) was also executed in 1998, aiming to build at least 30 internationally recognized research institutes in knowledge development and innovation. Another goal of KIP project was to strengthen industrial capabilities to develop, transform and commercialize</li> </ul>	<ul style="list-style-type: none"> <li>• Evidences indicated that during the past two decades, the size of universities and the quantity of enrollment have been multiplied. However, the quality of education still has a long way to go (Gereffi, Wadhwa, Rissing, &amp; Ong, 2008).</li> <li>• The decentralized institutional reforms on education system triggered</li> <li>• A highly skewed government funding distribution created an unfair competition. Top-ten universities are automatically endowed with state finance, while majority of universities have been forced to rely on large amount of amortized bank loans. Noted that, since 2001, students' tuition and other fees only account for about 50% of the total expenditures, the remaining financial needs depend on the combination of central government education budget and local government match fund. Given the rapidly increased enrollment, the sharply increased rate of</li> </ul>

Table 9: A Dialectical Perception on the Higher Education Policy in China

Positive Impacts of Policies	Weaknesses
<p>knowledge/technology into entrepreneurship and business values (Liu &amp; White, 2001). To this end, KIP project could serve as a channel for universities to expand their financial sources.</p> <ul style="list-style-type: none"> <li>It is argued that, the pre-1999 is a period of education reforms focusing on the quantitative aspects (size and enrollment), while the post-1999 is a period of improving the quality of teaching and research (Li, et al., 2008). Consequently, a set of institutional reforms were launched by the ministry of education to reform the academic contracts, such as the cancelation of tenure-ship, and replacing it by a performance based annual review and renewal system, according to which, faculty members are evaluated based upon their teaching performance and publications. Qualified continue; otherwise will be terminated (Li, et al., 2008).</li> <li>In 2006, the National Peoples' Congress passed the 11<sup>th</sup> 5-year plan with a set of upgraded goals of improving the quality of education system, such as standardizing the administration of national entrance examination for colleges and universities (Whalley &amp; Zhou, 2007).</li> </ul>	<p>inflation and the fixed budget of government financial aid, the actual subsidies allotted to each student have been annually declining (Xin &amp; Normile, 2008).</p> <ul style="list-style-type: none"> <li>According to China National Bureau of Statistics, since 1999, the increasing rate of total enrollment of universities and colleges is 30% per year, which is still far below the annual increasing rate of students' demand. Worse comes to worst is that, many local governments failed to fulfill their responsibilities of providing the match fund required by the central government. Although in 2006, the ministry of education has capped the annual growth of students' admissions to 5%, however, financial hurdles still remain unsolved (Li, et al., 2008).</li> </ul>

### Human Capital Development and Entrepreneurship in China

In China, guanxi network (social network) is ideologically rooted and inherited from the history of cronyism-oriented way of people relationship. Added to this is that, the combination of cronyism and guanxi network has been adopted as a fundamental principle from top-down, in guiding the development of human resource management, and forming the chain-of-benefit, which determines the personal gains of each involved beneficiaries throughout the chain – this is why some scholars claimed that, ‘pseudo’ or ‘quasi’ should be crowned to entrepreneurship in China, given its communist monarchy system (Zhao, 2016). Given that, a dialectical view is the premise of establishing a cognitive path. Therefore, a dialectical understanding of the cronyism-oriented human resource development system is a decisive premise to understand the peculiarity or mechanism of entrepreneurship in China (See Table 10).

Table 10: A Dialectical Perception on the Human Resource Development in China

Positive Impacts	Weaknesses
<p>Some scholars claimed that, the cronyism-oriented human resource development system has contributed to the institutional transition from centralized to decentralized human resource system (Cull &amp; Xu, 2006; Nee, 1992; 1996; 1998; Peng &amp; Heath, 1996; Steinfeld, 2007). Their arguments may be summarized as:</p> <ul style="list-style-type: none"> <li>Although, such a mechanism is negative in many aspects, however, it has been evolving toward a positive and promising direction.</li> </ul> <p>Other research findings provided evidences that, those blue-collar and white-collar managers holding so-called Iron Bowl jobs in those poorly performed SOEs, were replaced or re-allocated, meanwhile, an auction system was gradually employed to search for candidates of turnaround management (Groves, Hong, McMillan, &amp; Naughton, 1995; Naughton, 1995).</p>	<p>The negative impacts of cronyism-oriented human resource development system may be summarized as:</p> <ul style="list-style-type: none"> <li>it has ruined citizens' spiritual belief and ideological value system (Holt, 1997),</li> <li>it has disfigured the institutional reforms, and perhaps, it will tremble the stability of China communism and socialism (Roberts, 1997),</li> <li>it has abetted and condoned the already rampantly distorted and corrupted legal, bureaucratic and unfair employment systems (Desai, Gompers, &amp; Lerner, 2003; Zhao &amp; Zhang, 2016).</li> </ul>

It is assumed that, cronyism is an ideological core to maintain the dictatorship of any autocratic system, such as the communist regime in China and former-Soviet. Following this line of reasoning, cronyism is not only pervasive in China, but also in other communist countries. By comparing China with former- and post- Soviet, some scholars argued that the China and former-Soviet are politically cronyism oriented, therefore, they are struggled for institutional reforms. In contrast, the post-Soviet pursues a democratic and capitalistic system therefore, it is economically constrained by capital resources (Frye & Shleifer, 1997; Johnson, McMillan, & Woodruff, 1999; 2000; 2002; Shleifer, 1997).

## TAXONOMY AND CHARACTERISTICS OF THE DEVELOPMENT OF ENTREPRENEURSHIP IN CHINA

The taxonomy of entrepreneurship in China may be examined from the perspective of entrepreneurs' business motivations, according to which, entrepreneurship can be classified as three-staged categories evolving from one to another, in parallel with the chronologically changing political, institutional and social environment in China (See Table 11).



Table 11: From Chronological Perspective to See the Three Types of Entrepreneurship in China

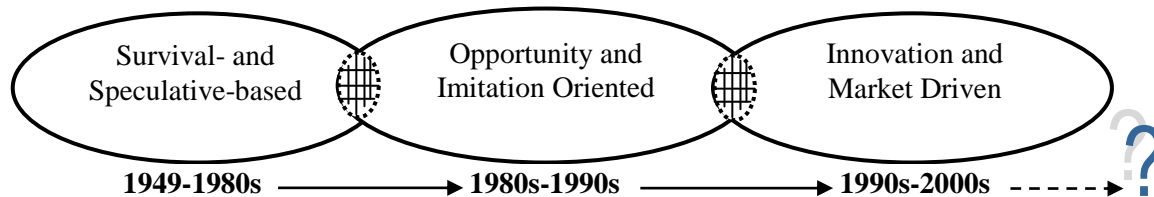
Types & Timeline	Description
<b>Survival-based</b>  <b>Speculators or Plungers (1949s-1980s)</b>	<p>GeTiHu (个体户 : translated as individual businessmen), a derogative and discriminative term, was used until the late 1980s, referring those individuals of lowest social status, usually those criminals and those poorly educated cross-region migrants. They had no choices but to start small-scale business activities as their only means of subsistence in retail or services of the black-market (Tomisaka, 1995). Therefore, they should be accurately defined, according to Western standard of entrepreneurship, as 'self-employed' rather than 'entrepreneurs'. The risk involved was far beyond their business cost. As a matter of fact, it may incur the risk of being arrested, jailed, and even executed to death for their anti-socialism and anti-proletarians activities in that specific dark age of China (Zhao, 2016). This is why entrepreneurs in this period are generally categorized as the type of survival- and speculative-based. Fortunately, a few lucky ones of this generation later became internationally legendary lord of commercial trade, including but not limited to Mr. Mu Qizhong (牟其中), famous for the trade of food products for aircrafts; Mr. Wan Runnan (万润南), the father of 'Made-in-China' products especially in computer industry; Mr. Yu Zuomin (禹作敏), the pioneer of township development, leading Da Qiuzhuang (大邱庄) to becoming the world richest village; Ms. ReBiya Kader (热比娅·卡德尔), the most well-known import-export businesswoman.</p> <p>These individuals are the earliest native Chinese multi-billionaires in China during the period of 80s-90s, but unfortunately, they all ended up either in jail or in exile.</p>
<b>Opportunity &amp; Imitation-based</b>  <b>Founders or Leaders of Emerging Industries (1980s-1990s)</b>	<p>SiYingQiYe (私营企业: translated as Private Enterprises), a rapidly emerged form of entrepreneurship in the late 80s and throughout the 90s, comprised of those individuals, who possess, more or less, educational, professional and technological background, particularly those ex-engineers or ex-managers of SOEs, taking advantages of policies and Guanxi network to obtain the contracted business entities from SOEs, and operating their business on national scale and cross-industry scope, from assemblers or manufacturers of components and parts, to business consulting, real estate development, contractors of government sponsored infrastructural projects, and IT-developers. The leading figures include: Mr. Shi Yuzhu (史玉柱), the founder of the Giant (巨人) and the role model of corporate diversity; Mr. Wang Jianlin (王健林), the founder of WanDa (万达) and the second to none commercial real estate developer; Mr. Wang Shi (王石), the founder of WanKe (万科) and the famous residential real estate developer; Mr. Zhang Jindong (张近东), the founder of SuNing (苏宁) and the glory of retailing industries; Mr. Yu Minhong (俞敏洪), the founder of Koolearn (新东方) and the frontier of education and professional training business; Mr. He Yang (何阳), the king of idea-creator, and</p>

Table 11: From Chronological Perspective to See the Three Types of Entrepreneurship in China

Types & Timeline	Description
	<p>the founder of the first business management consulting firm; Mr. Zhang Chaoyang (张朝阳), the founder of SoHu (搜狐); Mr. Ding Lei (丁磊), the founder of WangYi (网易); Mr. Wang Zhidong (王志东), the founder of Sina (新浪); Mr. Li Yanhong (李彦宏), the founder of Baidu (百度); Mr. Ma Yun (马云), the founder of Alibaba (阿里巴巴); Mr. Ma Huateng (马化腾), the founder of Tencent (腾讯); Mr. Liu Chuanzhi (柳传志), the founder of Lenovo (联想); Mr. Ren Zhengfei (任正非), the founder of Huawei (华为).</p> <p>Each of these individuals is overqualified by Western standard as entrepreneurs. Although copycats, they have achieved what those Western entrepreneurs could but chickened out or missed out. To this end, they are only better than those Western entrepreneurs.</p>
<b>Innovation &amp; Market Oriented Entrepreneurs (After 2000s)</b>	<p>Since the beginning of the new millenniums, the third generation of entrepreneurs emerged and led China toward an era of 'internet+', namely, the extension of internet application. Taking advantage of already developed IT-platform and infrastructures, these innovative entrepreneurs, most of them are returnees of Chinese graduates from U.S or European universities, imitated and integrated internet technologies into a wide range of industries, and contributed to China economic transformation from manufacturing oriented economy to service oriented economy. According to the Fortune 2015 rankings, 40 Chinese entrepreneurs under the age of 40 were listed as business elites, including but not limited to: Mr. Cheng Wei (程维), the founder of DiDiTaxi (滴滴出行), a rapidly emerged m-commerce business in taxi service; Mr. Yao Jingpo (姚劲波), the founder of 58TongCheng (58同城), an information system and e-business service provider, or say, a copycat of Chaglist; Mr. Wang Xing (王兴), the founder of RenRen.com (人人网), an information service provider transformed from a campus website; Mr. Fu Sheng (傅盛), the creator of widely used internet security software, namely, the 360 anti-virus software; Mr. Wang Xiaochuan (王小川), the CEO of Sogou (搜狗), an internet search engine; Mr. Lei Jun (雷军), the founder of xiaomi technology (小米科技), and a renowned angel fund investor; Mr. Dai Kebin (戴科彬), the founder of Liepin.com (猎聘网), an internet job search and hunting service provider; Mr. Lei Zhenjian (雷振剑), the founder of LETV (乐视网), an internet-base TV service provider, also known as the creator of LETV model.</p> <p>These individuals locked the need of huge China market in a timely manner, adopted the strategy of 'winners take all', and achieved a rapid success in the development of e-business and m-business firstly in China, and then, in global market. Currently, they are striving to establish an allied or monopolized industrial system, indicating that, a capitalistic conglomerate economic pattern is quietly growing in China.</p>

The three types of entrepreneurship demonstrated in Table 11 reflect at least three generations of Chinese people transitioned from the Mao's society of 'do nothing unless told to' to the Deng's society of 'do whatever possible to make money', a translated version of Deng's original remark: 'regardless of white cat or black cat, catch the mouse is the good cat'. The psychological and spiritual impacts of such a transition are beyond frustration, panic, fear and bitterness, beyond the experiences of those Jews experienced in the Nazi Concentration Camp. After all, forcing people to change their belief is beyond the torture of any kind. To this end, Chinese people make themselves the world-class entrepreneurs. On the one hand, Chinese people were feared of going back to the old days like the Mao's period. On the other hand, after experiencing the transition from lifetime employment (Iron Bowl) to massive layoffs, Chinese people were psychologically desperate and eager for opportunities (Gu, 1999). Hence, a hypothetical theory may be reasonably proposed that, the public vent or release of their psychological pent-up has been fermented or transformed into a strong desire to prove: 'Look! We can also do it'. Therefore, the transitional mechanism of the three entrepreneurial generations may attract more in-depth attention in future research (See Table 11 and Figure 2).

Figure 2: The Evolutionary Path of Three Types of Entrepreneurs



The second perspective of taxonomy emphasizes the environmental factors (policy, social network and technology) and their impacts on the development of entrepreneurship in China, wherein the politically, traditionally and culturally inherited guanxi network and cronyism exacerbate the challenges of brain drain and talents shortage, making the development of human resources and entrepreneurship a complicated and dilemmatic situation (Zhao, 2016). Additionally, the increasingly entered FDIs, along with their advanced technologies and management systems, have also greatly contributed to the diversification of entrepreneurship in China (Baumol, 1990; Zhao & Zhang, 2016). Accordingly, the taxonomy of entrepreneurship can be re-organized into three types, namely, policy-led, social network-determined, and technology-oriented (See Table 12).

Table 12: From Environmental Perspective to See the Three Types of Entrepreneurship in China

Types	Descriptions
<b>Policy-Led</b>	<p>Policy-led entrepreneurship refers to government initiated business activities at the national or at least the provincial level. Deng Xiaoping is the father of China entrepreneurship. TVEs, Special economic zones, Industrial and Science Parks, Industrial Resource Consolidation, Dual-Track Model, Mergers and Acquisitions (discussed earlier in this paper), all must be attributed to Deng's leadership. After all, China is politically a monarchy system, in which, every single thing must be permitted by government.</p>
<b>Social Network-Led</b>	<p>Social network oriented entrepreneurship refers to guanxi dominated business activities at the corporate level. Social network oriented entrepreneurship has been mistranslated, misinterpreted or confused with Western term of business and government relationship. Such a mistake is so-occurred only because of the Western scholars' arrogant naiveness or ignorance on the peculiarity of China political, social, institutional and cultural environment (Zhao &amp; Zhang, 2016). Social network oriented entrepreneurship may be briefly summarized as two forms:</p> <p>Government officials or their families, using their privileged access to information and resources, most importantly, their social network and connections, to establish their own business, either directly using their own names or indirectly using others' names (Wank, 1999). Regardless of its corruptive nature or conflict of interests, this type of entrepreneurship represents the historically inherited cronyism-dominated cultural tradition (Zhao &amp; Zhang, 2016).</p> <p>Entrepreneurs or corporate leaders endeavor desperately to build personal relationship with government officials or their family members, and those societal celebrities, by various corruptive means such as briberies (Zhao &amp; Zhang, 2016). Individuals having such relationship (social networks), or having ability to build such relationship, are corporate dearly sweethearts, or the targets hunted by corporate cronyism-oriented HRM systems. Some scholars questioned how such a network-oriented entrepreneurship is related to business performance over time (Obukhova, 2007).</p>
<b>Technology-led</b>	<p>Technology-led entrepreneurship refers mostly to those imitators. Lacking technological capabilities explains 'why imitate'. Grabbing-ism (拿来主义) explains their theory of 'why not'. Grab whatever handy or available, has been a guiding principle of doing business in China. This is why technological imitation is so rampant in China. This explains why some scholars claimed that innovation and high-tech entrepreneurship are rarely part of discourse in China (Tan, 1996; 2001; 2007). Despite the fact that, such an imitation-oriented technological entrepreneurship has boosted market, and contributed to China GDP growth, however, whether this type of entrepreneurship is sustainable, might be an interesting question.</p>

Table 12 illustrates how external environmental factors such as policy, guanxi (social network) and advanced foreign technologies have stimulated and facilitated the development of

entrepreneurship in China. Grabbing-ism, as the translated version of Deng's 'regardless of white cat or black cat, catch the mouse is the good cat'—functioned as a policy, not only guiding the overall strategy, but also abetting and condoning the rampant imitation as tactic in the development of entrepreneurship. In a sense, the three types of entrepreneurship demonstrated in Table 12 represent the reactive or adaptive aspect of Chinese entrepreneurs. In contrast, the three types of entrepreneurship depicted in Table 11 reflect the proactive or preemptive aspect of Chinese entrepreneurs. These two perspectives of taxonomy (Table 11 and Table 12) congruently indicate that, the combination of cronyism and guanxi network is the fountain, from which, the China-way of entrepreneurship has been incubated and transitioned from each chronological period of political, social, institutional and economical environment.

#### Four Constraints Hindering the Development of Entrepreneurship in China

Having discussed the dialectical aspects of the development of entrepreneurship in China, it would be difficult, if not impossible, for present or future researchers and practitioners to objectively evaluate the past, and proximately predict the future trend of entrepreneurship, if without a systematic understanding on how the four constraints have hindered the development of entrepreneurship in China (See Table 13).

Table 13: The Four Constraints Hindering the Development of Entrepreneurship in China

Constraints Description	
<b>Political Constraint</b>	<p>Communist ideology by nature restrains and suppresses the mechanism of free market economy and the development of entrepreneurship. The former Soviet model of political-economic system was initially adopted in the Mao's period, and then, was inherited, adjusted and theorized by Deng Xiaoping as the China-way of socialist market economy, which has been ever since, upheld and reinforced by the successors of communist regime until the present China. The communist objective of eradicating bourgeois, and replacing it by proletariat, remains steadily and consistently unchanged. Under such a political-economic system:</p> <ul style="list-style-type: none"> <li>the potential leeway of both present and future entrepreneurs' capability is limited,</li> <li>the sustainability of entrepreneurship as a whole is dilemmatic and vague.</li> </ul>
<b>Legal Constraint</b>	<p>Given its mono-party autocracy political system, China has been stuck or challenged in an effort to establish a fairly reasonable legal system. Correspondently, IPR and Private Ownership have been remaining as two major barriers hindering the development of entrepreneurship in China:</p> <ul style="list-style-type: none"> <li>According to 2012 report of the International Intellectual Property Alliance (IIPA), China was under surveillance of its priority watch list, and was described as a market still remaining closed by most of those U.S.A. copyright-sensitive companies. The report spent 26 pages accusing China for its</li> </ul>

Table 13: The Four Constraints Hindering the Development of Entrepreneurship in China

Constraints Description	
	<p>violation of copyright, stating that some of the copyright violations not only severely damaged foreign companies' benefits of their respective creative content, but also jeopardizes the IPRs of indigenous companies<sup>[i]</sup>. Some violations are in a breach of China's commitment prior to its entry of WTO (Hong, 2008). Some scholars claimed that, such a rampant copyright violation reflects the weak and ineffective effort of China government in law enforcement (Branstetter &amp; Lardy, 2006; Mowery, Nelson, &amp; Sampat, 2001). The disputes and negotiations on IPR issues between the U.S. and China have been increasingly escalated and contentiously intensified, rather than ameliorated (Yu, 2006). In the name of grab-ism, imitation and copycat still remain as the most widely adopted techniques in pursuing the so-called innovation in China (Zhao, 2012; 2013; Zhao &amp; Zhang, 2016).</p> <ul style="list-style-type: none"> <li>Although private ownership was permitted as early as in the late 1980s, however, government had implemented a double-faced policy, treating SOEs and POEs distinctively (Young, 1995). Until 2002, the 16<sup>th</sup> National Congress of Communist Party of China finally approved and granted the eligibility allowing private entrepreneurs to join the Communist party, then and only then, private enterprises was ultimately recognized and legalized in China. However, the government of China has never succeeded in establishing a fair competition oriented market system and an equal opportunity mechanism to incubate and fledge the development of entrepreneurship (Qian, 1999).</li> </ul>
<b>Resource Constraint</b>	<p>Limited resources such as funding, labor and technology, is another barrier hindering the development of entrepreneurship in China. SOEs and POEs or the start-ups are still treated differently in the face of bank loans and state financial aid.<sup>[ii]</sup> SOEs still act as an ideal symbol of Iron Bowl (a guaranteed lifetime employment), attracting skilled labors and technological talents, who are likely risk phobias or risk adversity, or unwilling to give up their Iron Bowl, in exchange for the contract-based jobs in private sectors, even if the pay is higher (Gu, 1999). Most of FDIs in China have no choice but to hire expensive expatriates, due to the lack of indigenous professional junior and senior managers. In addition to these constraints, brain drain and asset drain are perhaps the most phenomenal features, restricting the development of entrepreneurship in China, both endogenously and exogenously:</p> <ul style="list-style-type: none"> <li>Brain drain has been exacerbating the situation of inadequate supply of IT-labors in China (Schmit, 2000). The instability and uncertainty of political environment, in conjunction with the caprice and precariousness of institutional system, are the external factors forcing those foreign-educated Chinese IT-graduates, who returned and created their entrepreneurial business in China, to prepare various sort of pre-arranged back-up plans or so-called safety nets independent of their business success or failure. Holding dual citizenship or green cards, or having their wives and children living in foreign countries while working in China, are the most commonly adopted back-up plans.<sup>[iii]</sup> An old Chinese proverb may best describe such situation: 'one resides in a place with his/her heart elsewhere (人在曹营心在汉)'. Those indigenous IT-graduates with academic expertise, are generally lack of work experience, and tend to be less loyal, due to the scarcity of IT-</li> </ul>



Table 13: The Four Constraints Hindering the Development of Entrepreneurship in China

Constraints Description	
	<p>labor market and so many bidders waiting in line. Their back-up plans may be described as having their two feet standing on two boats separately (脚踩两只船), meaning that, having the wife continue her SOE job, to secure the Iron Bowl job, while the husband ventures into entrepreneurial business. Such a back-up plan can ensure the family not only to continue its government benefits of housing and medical plans, but also to reap the profits from private enterprises.</p> <ul style="list-style-type: none"> <li>Worse comes to worst is that, in the recent years, there has appeared a migrate wave of those rich Chinese people, partly businessmen and partly those corrupted government staffs. They have accumulated a huge sum of assets, and attempted to transfer them out of China through various sources of money laundry. Following this line of reasoning, asset drain would become another damaging factor to worsen the overall situation of resource constraint in China.</li> </ul>
<b>Cultural Constraint</b>	<p>The role of culture, in Hofstede's seminal research on social behaviors, has been interpreted as the fifth dimension, while Confucianism has been defined as a dynamic force driving not only China but the entire East Asian economic growth (Hofstede, 1984). Given the negative impacts of Chinese culture and traditions such as cronyism and guanxi (extensively discussed in this paper), a dialectical view is necessary in order to systematically understand the role of culture in the development of entrepreneurship:</p> <ul style="list-style-type: none"> <li>As a country of the Four Great Inventions in history, China is embarrassed to face such a fact that, the country is now still one of the poorest countries in terms of its income per capita. In the meanwhile, it is also considered as a country holding a strong sense of pride to its history and culture. Consequently, an oriental format of neo-Weberianism emerged, and being attributed to the radiation of Confucianism, which is, according to some scholars, a social behavior system that condemns pure profit-seeking business activities, advocates collectivism and group potentials, and forces people to obey and respect authorities (Liao &amp; Sohmen, 2001).</li> <li>In contrast to the neo-Weberianism, the successful rise of China economy in the past three decades, may be, to a large extent, attributed to the contributions of the younger generations open to Western economic system and the Diaspora of those overseas Chinese entrepreneurs, to whom, Confucian values and beliefs such as persistence, diligence, thrift, and strong sense of family-ties may have served as key factors motivating Chinese people in the development of entrepreneurship.</li> </ul>

Table 13 illustrates that the combination of the four constraints (political instability, legal and property rights uncertainty, resource scarcity and cultural dilemma) still makes China dimmed and unpredictable in terms of its future development of entrepreneurship<sup>[iv]</sup>.

## Peculiarity vs Universality of Entrepreneurship

Entrepreneurship is an environmentally oriented business activity, varying from country to country due to their respective political, institutional, social and cultural characteristics (Zhao, 2014). Given China political-economic system heavily tinged by its cultural history, it is reasonable to assume that, it is difficult to rationalize the mechanism of how China political system has affected the development of entrepreneurship, if without understanding the relationship between Chinese culture and its politics. This is what makes the peculiarity of China-way of entrepreneurship (Zhao & Zhang, 2016). Put differently, what role does Chinese culture play in the development of entrepreneurship, what is the interacting- and mutual-restraining relationship between China political system and its traditional cultural value system, and how does such relationship make the China-way of entrepreneurship different from entrepreneurship elsewhere – answers to these questions may help rationalize the formation and development of the so-called peculiarity of China-way of entrepreneurship.

By comparing a list of traditional Chinese cultural attributes with a list of entrepreneurial attributes, some scholars found that, although, some entrepreneurial attributes such as creativity, innovation, and flexibility just to name a few, seem to be incompatible with the mainstream of traditional Chinese cultural values and attributes, however, these scholars concluded that, Chinese culture and entrepreneurship are generally and positively correlated, sharing a set of overlapped attributes, including perseverance, diligence, intelligence, resourcefulness, emotional stability, integrity and harmony (Kirby & Fan, 2011). Interestingly, in his empirical study, David Holt, using Hofstede's dimensions (Hofstede, 1984), tested, analyzed and compared the traits of U.S. entrepreneurs with Chinese entrepreneurs and SOEs' managers, and found that, Chinese entrepreneurs scored higher than not only those SOEs' managers, but also their American counterparts on some critical dimensions such as the risk tolerance (Holt, 1997). Put differently, empirical evidence proved that, Chinese entrepreneurs are more risk-oriented than American ones. Given the political and cultural settings in China, these research findings at least confirmed that, the framework of the peculiarity of China-way of entrepreneurship (Zhao & Zhang, 2016), is not only theoretically necessary, but also practically instructional. Nevertheless, whether Chinese culture is conducive or antithetical to the development of entrepreneurship deserves future research to explore from longitudinal perspective. Whether it is possible to establish a cross-cultural platform adaptive to cultural disparities, so that a framework of entrepreneurialism can be standardized like other management disciplines – may be another research hypothesis for future researchers to explore. To follow this line of hypothetic thinking, establishing a set of attributes universally immune from cultural barriers, may be the first and foremost step (See Table 14).

Table 14: Peculiar and Universal Traits and Attributes of Entrepreneurship

Attributes	Descriptions	China	Global
<b>Abilities</b>	Creating Business Ideas	W	S
	Transforming Ideas, Opportunities and Resources into Business Values	W	S
	Identifying and Capturing Business Opportunities	S	S
	Accessing, Allocating and Organizing Resources	S	S
	Risk Taking	S	W
<b>Skills</b>	Sharing, Transferring and Shifting Risks	W	S
	Business Acumen	W	S
	Political nimbleness and Interpersonal skills	S	W
	Flexibility and liquidity	S	W
	Hard working, Persistence and Perseverance	S	S
<b>Adaptabilities</b>	Long-term strategy and Commitment	W	S
	Trust and Loyalty	W	S
	Family-team of Management	S	W
	Adaptive to various environmental settings	S	W

**Note:** S → Strong; W → Weak; this table is hypothetical, expected to be empirically tested

The comparison between the peculiarity and universality of entrepreneurial traits and attributes illustrated in Table 14, although empirical confirmation is needed, however, it serves to explain the difference between entrepreneurs in China and elsewhere.

Given China political unpredictability in conjunction with its political-economic system and cultural heritages, business decisions including but not limited to licensing for certain business (ex: imports and exports), leadership selection and appointment, are all strictly controlled by government, rather than by firms themselves. Such a peculiar business environment determines the peculiarity of China-way of entrepreneurship (Zhao & Zhang, 2016), forces Chinese entrepreneurs to learn, adjust, and adapt to the political volatility, in order not to miss any policy driven, or politically derived business opportunities. Accordingly, political nimbleness and interpersonal skills are perhaps the most peculiar characteristics that help entrepreneurs to survive the unpredictable political environment in China (Faison, 1999). It must be noted that, although the development of interpersonal skills and business contacts are highly valued business drivers in the Western framework of management, however, the motivation and purpose are in sharp contrast. In Western countries such as the U.S., people relationship and government and business relationship are all restrained within the domain of ethical and legal systems, and meant to facilitate communication and efficiency of organizational work flow. In China however, the historically inherited Confucianism ideology stipulates that, one's political

promotion means power and wealth (升官发财), namely, the chain of beneficiaries (Guanxi network), which is built, maintained and expanded like rolling the snowball by various means of corruptive and many other behind-door activities, such as briberies in order to obtain the insider's information, the licensed authorization for exclusive businesses, and the speed of government approval for those highly demanded but extremely scarce resources. Therefore, “without proficient political nimbleness and interpersonal skills to participate in the chain of beneficiaries, it would be difficult, if not impossible, for entrepreneurs to survive his/her business. .... interpersonal skills means shamelessness, or thick-face (厚脸皮)” said Ms. Cui in her cynical tune, and continued that “an entrepreneur in China must possesses not only the interpersonal skills, but also the abilities to accept and tolerate humiliation, drink heavily, sing karaoke, understand and take care of politician’s personal needs and desires .....”<sup>[v]</sup>

Flexibility and liquidity are important skills and intangible assets of Chinese entrepreneurs, enabling them to survive the political uncertainties or setbacks over time. This explains why Chinese entrepreneurs are interested in pursuing those startup opportunities with low capital-requirement and high mobility and quickness. In a sense, flexibility and liquidity may be described as strategic priority of both domestic and overseas Chinese entrepreneurs. For example, in countries like Indonesia and Malaysia, wherein the political and social environment is unstable, sometimes even unfriendly to those overseas Chinese, who are the most economically powerful ethnic group, under such circumstance, flexibility and liquidity becomes their talisman of doing business in order to keep their survival unscathed, and secure their assets undamaged. Following this line of reasoning, it is logical to hypothesize that, Chinese entrepreneurs are generally opportunity oriented, focusing more on the short-term gain or lose, rather than the long-term strategy. “There is no long-term strategy because no one knows what’s going to happen from one day to the next.... take it one step at a time is all what you can do” said Mr. Tan<sup>[vi]</sup>. In explaining the difficulty of finding strategic suppliers in China, Mr. Victor complained that: “given their frequency and speed of shifting from one business to another, you never know whether they’ll still be around in a year or two. They’re very slick.”<sup>[vii]</sup>

Lacking trust and loyalty is peculiarly pervasive characteristic of Chinese entrepreneurs, due to the political uncertainty and the cronyism oriented legal system in China. Such an imperative crisis of trust and loyalty laid the foundation of family-run management style of private enterprises in China. The Confucianism-steeped culture system makes the entrepreneur himself as the benevolent patriarch, while his kinships the secondary role of the management system. Even in the overwhelmingly modernized internet industry, which is, according to Mr. He, a senior economic analyst, consisted of over a million of IT firms nationwide, surprisingly,

majority of them are still in the state of family-run, struggling for capital and talent shortages.<sup>[viii]</sup> Research findings also confirmed that, internet as a vigorous and POEs dominated industry in China, has drastically changed and stimulated the development of economic growth during the past two decades, but still remain in a relic form of family-team management to secure loyalty (Feigenbaum, 2000). "Family-team tends to be convincible to accept minimal compensation in return for future gains, and to be vigilant to keep business secrets and to protect family benefits..... a fresh university graduate would leave immediately if he/she were told to wait three months for a paycheck. Therefore, family-team of management is vital to those startups or even those fledging entities, especially in the IT industry facing capital and talent shortages....."<sup>[ix]</sup> A typical example is Mr. Wang Zhidong, originally the CEO of Stone Rich Sight Information Technology Company (SRS), and later, becoming the founder of Sina.com. Wang has been unable to cut off his family-team management until he was forced by the Silicon Valley investors' pressure to dissolve and re-organized his management team composed of his wife and brother, in order to receive technical and funding support<sup>[x]</sup>.

## **A PARADIGM SHIFT: FROM POLARIZED TO DIVERSIFIED VIEW ON ENTREPRENEURIAL DEVELOPMENT**

The rapidly emerged and globalized information technology makes the transfer of codified knowledge in an instantaneous manner, through a globally designated and connected information network, resulting in a new form of globalized industrial settings such as the globalized production networks (GPNs), linking product design with finished product distribution across geographic locations (Steinfeld, 2004), rather than the entire production chain being set up at a single location (Sturgeon 2000, 2002, 2003). Some scholars suggested to replace the concept of GPN by global commodity chains (GCC), in order to better reflect the evolving and diversifying nature of increasingly globalized economic environment along with the emerging features of supply chain throughout the entire production and trade networks (Gereffi, 1999). Such a conceptual transformation may have forced a shifted focus of traditional supply chain, from production operations flow to value trade flow, from assembly line activities to higher value activities, for example, from original equipment manufacturer (OEM) to original brand manufacturing (OBM). Such a transformational trajectory makes the traditional supply chain more information driven, more networking dependent, and more value inclined, than the traditional one. Therefore, it is vital for contemporary and future researchers and practitioners to adopt a dynamic view and a shifted paradigm from the traditionally polarized mindset, namely the 'Washington Consensus', which stipulates that, market liberalization must be the host variable linearly causing the variations of various factors in the development of

entrepreneurship, to a co-evolutionary mindset, namely, the 'Beijing Consensus', which argues that, entrepreneurship is a compounded effect centered by government intervention, and radiated proportionally to co-evolutionary factors such as culture, religion, risk tendencies, material costs and labor market conditions, property rights, governance, institutions, policies and so forth (Begley & Tan, 2001).

To avoid taking one side and attacking another, between the market liberalization (Washington Consensus) and the state intervention (Beijing Consensus), there is an imperative need for a paradigm shift from a commonly committed polarized mindset to an environmentally evolving and adaptive mindset. Such a paradigm shift helps prevent using a single blueprint to foresee the increasingly and dynamically globalized and diversified environmental factors and contingencies, and consequently, to misguide business behaviors in a one-way direction. Thus, it is critically necessary to browse the mosaic of the two consensuses, in order to understand their respective standpoints on the developmental mechanism of entrepreneurship (See Table 15).

Table 15: Divergent Perspectives on Institution, Government Intervention and Entrepreneurship

Theories	Arguments of Pros and Cons
<b>Washington Consensus</b>	<p>'Washington Consensus' represents the traditionally Western dominated theoretical framework advocating that, market liberalization including property rights, financial liberalization, is likely to empower firms greater autonomy to control prices and residual rights, and to force the evolutionary transformation of marketplaces (Johnson, McMillan, &amp; Woodruff, 2000; 2002):</p> <ul style="list-style-type: none"> <li>Proponents of 'Washington Consensus', from the perspectives of contemporary and neoclassical economics, chastise and demonize the government intervention while arguing for the great power of free markets and the "invisible hand" to allocate resources to their most productive uses. Additionally, too much government intervention may likely lead to skewed market incentives, which are problematic, restricting firms from making their own decisions on R&amp;Ds and business operations, meanwhile, forcing firms to concentrate on building and maintaining political connections, and currying favor from government bureaucrats.</li> <li>Critics of 'Washington Consensus' contend that, it is ironically naive to keep believing in that, democracy and market liberalization constitute an optimum form of meta-institution ecosystem to facilitate knowledge aggregation, codification and diffusion, which are all best suited for economic growth (Rodrik, 2000). After all, there is no such an institutional 'blueprint' that can foresee and guarantee the future economic growth at an acceptable level of confidence.</li> </ul>
<b>Beijing Consensus</b>	<p>'Beijing Consensus' is a relatively young theoretical framework, built largely on institutional foundation, advocating that, institutions and political, legal, and financial regulations and structures, are the embedded determinants of prices and quantities along the production chain.</p>

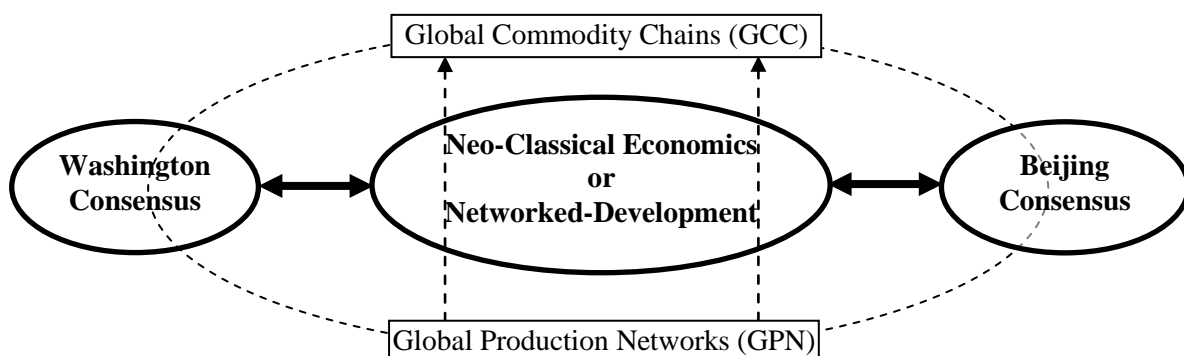


Table 15: Divergent Perspectives on Institution, Government Intervention and Entrepreneurship

Theories	Arguments of Pros and Cons
	<ul style="list-style-type: none"> <li>Proponents of 'Beijing Consensus', from the perspectives of neo-classical economics, sociological, political and institutional economics, emphasize the function of 'rules of the games' in both written and unwritten laws, norms, and beliefs, so that an orderly economic system can be established and maintained (North, 1990; Williamson, 2000). An institutionalized economic system can help alter constraints, stimulate incentives, and transform self-interested behaviors into economically productive activities (Baumol, 1990; Nee, 1996). To these scholars, institutions seem to be omnipotent in promoting economic development. This is extremely true in China and perhaps in other developing countries as well.</li> <li>Critics of 'Beijing Consensus' argue that both market and non-market institutions or forces do not support the idea that there exists a single optimum institutional "blueprint" for economic development. From the perspectives of sociological and economic histories, 'Beijing Consensus' overly exaggerated or deified the omnipotent power of government. According to some scholars, government intervention is perhaps the best practice for those developing countries to stimulate the development of entrepreneurship and economic growth, due to their weak financial, technological and managerial capabilities, meanwhile, learning and absorbing from developed economies seems to be the only option (Gerschenkron, 1962).</li> </ul>

Table 15 illustrates the antithetical positions between Washington Consensus and Beijing Consensus, and rationalizes the urgent need for a bridge to link them. The neo-classical economics, namely, the networked development framework serves to provide a theoretical platform, not only contributive to mediating the debate of the two Consensuses, and enriching the ingredients of the latest framework of innovation theory (Huang, 2010), but also instrumental to explaining the inevitable transition from global production networks (GPNs) to global commodity chains (GCCs), in response to the rapidly globalized and diversified business environment (See Figure 3).

Figure 3: A Paradigm Shift from Washington Consensus to Beijing Consensus



### The Network-based Development Framework (aka: Neo-Classical Economics Framework)

The network-based view emphasizes the function of environmental factors/forces, both endogenous and exogenous, in driving the evolutionary trend of globalization and transition of world economy from unilateral to multilateral, from polarized to de-polarized. The rapidly emerged and prevailed innovation-based entrepreneurship especially in developing countries is generally attributed to the compounded effects of government interventions (i.e. initiatives and incentives), social and institutional conditions, and a globally integrated and networked production and commodity networks (See Figure 3), rather than linearly resulted from the effect of a single set of institution (Breznitz, 2007). The mechanism of such compounded effects is country-specific, rather than universal. For instance, some developed economies may likely to pursue high growth through radical innovation (ex: U.S, Japan), while, others chose to pursue incremental innovation in order to create the best interest for their citizens (ex: EU). Such a differentiated strategic choice is largely determined by the respective government interventions through policies and regulations in each country (Hall & Soskice, 2001). This explains why some scholars argued that the traditional concepts and theories of Western framework have reached their limits and can only guide us this far in cognizing the increasingly globalized and diversified business features especially from emerging economies (Boisot & Child, 1996). Additionally, some traditionally inherited methodological issues should be prudently tackled in order to capture the dynamically evolving feature of entrepreneurship (Zhao & Zhang, 2016). For example, the method of using linear regression model to test and analyze the quasi- relationship between government intervention and sociological and institutional parameters of entrepreneurship, must be carefully adjusted and trimmed in order to reduce the degree of bias. Otherwise, research findings might be mired, confused, and subsequently, misleading the search for the truly relevant factor(s). Simply put, the limitation of traditional Western framework provides a theoretical niche for the network-based framework, to fit into the increasingly diversified and globalized business settings (See Table 16).

Table 16: Network-based View on the Development of Entrepreneurship

Perspectives The Development of Entrepreneurship and Economics	
Sociology	<p>Social conditions (culture, values, belief and norms) determine business governance, entrepreneurial process and economic outcomes (Williamson, 2000). Albeit validation is needed, such a sociological view may open an avenue to explore the formational mechanism of entrepreneurship in today's diversified global business environment:</p> <ul style="list-style-type: none"> <li>According to some economic historians, anthropologists and sociologists, culture, values, beliefs and norms are thought of embedded factors. The deeper level they are rooted in a society, the</li> </ul>

Table 16: Network-based View on the Development of Entrepreneurship

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**Perspectives The Development of Entrepreneurship and Economics**


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	more stubborn the society would become, and consequently, the more reluctant attitude to accept changes and entrepreneurship (Zhao, 2016).
Institutions & Governance	<p>Institution and governance have become the key factors in explaining the globally diversified entrepreneurship and economic growth. However, critiques argued that, the framework of institution and governance has incurred some quibble issues on the causality of, or co-evolution between institutional development and economic growth. Some scholars argued that in some developing economies, their largely distanced wealth disparity under the same political and institutional roof seem to repudiate the positive relationship between economic growth and institutional settings (Banerjee &amp; Newman, 1993).</p> <ul style="list-style-type: none"> <li>Many political and institutional scholars have congruently emphasized that, the level of institutional development may have different impacts on organizational governance and economic development, and that, the “rules of games” such as constitutions, judiciary and political systems, must be orderly established and functionally maintained, so that an orderly economic system can be created and consolidated to support the corporate governance and entrepreneurship, which is inseparable from institutional settings such as business contracts and transactions (Baker, Gibbons, &amp; Murphy, 2002; Grossman &amp; Hart, 1986; Hart, 1995; Hart &amp; Moore, 1988; Hart &amp; Tirole, 1988; Lerner &amp; Schoar, 2005; Williamson, 2002), information economics (Bolton &amp; Dewatripont, 2005), transaction cost economics (Holmstrom &amp; Roberts, 1998; Teece, 2000; Williamson, 1981), and firm theory (Coase, 1937).</li> <li>From contract-based perspective: Contract theory is relatively young comparing with the framework of predatory theory (North, 1981). Property rights based institution (predatory theory) seems to be the prerequisite for the implementation of contract-based business relationship (contract theory) to protect and enforce citizens’ and organizations’ legal rights bounded to a contract of the involved parties, in order to ensure the long-term economic development (Acemoglu &amp; Johnson, 2005). Therefore, the two institutional systems (property rights and contract) are mutually constraining and complementary in protecting and maintaining an orderly structured economic system (Bai, Lu, &amp; Tao, 2006).</li> </ul>
Resource Allocation	<p>Neoclassical economists argue that different level of resource allocation may lead to different incentive mechanism, such as the cost, quantity and price of productions (Grossman &amp; Hart, 1983):</p> <ul style="list-style-type: none"> <li>From information-based perspective: Information codification and diffusion are the twin factors determining organizational and social structures (Boisot &amp; Child, 1988). According to their argument, only when a society established with a solid base of information-driven economic development, can market-oriented business systems be established, and can firms operate in a fair competition manner. Otherwise, business environment is likely to be filled with fiefs and clans.</li> </ul>

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Table 16: Network-based View on the Development of Entrepreneurship

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**Perspectives The Development of Entrepreneurship and Economics**


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Government Intervention	<p>It is likely the case especially in those developing economies that, government interventions (choices or decisions) may be the most cohesive reasons to explain the mechanism of innovation and entrepreneurship (Burt, 1992; Freeman, 1991; Shane &amp; Cable, 2002). Such role of government interventions may also help explain why in a single country, one innovation-based industry may fail while other industries may succeed simultaneously under the same institutional roof (Breznitz, 2007).</p> <ul style="list-style-type: none"> <li>• According to Breznitz (2007), the role of government is to initiate and stimulate a set of actors to enter into innovation-based industries, and then to step back and act as a facilitator and a network broker to coordinate the resource flow throughout the entire production and commodity networks.</li> <li>• What is being argued here is that, in today's globally fragmented production systems, it is not the role of government to dictate business activities, but rather to act as a mediator to allow firms and industries to become networked and embedded into the global production chains, and only then, can firms and industries become efficiently equipped and effectively enabled to quickly respond to the market needs in a targeted manner.</li> </ul>
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Table 16 demonstrates that, sociological, institutional and resource constraints are the key factors determining the country-specific government intervention in economic development respectively. These factors interact with each other and impose different impacts on business behavioral choices including entrepreneurial activities. Note that, government intervention serves as the controller, leveraging the constitutional and institutional settings and enforcing business governance. This is especially the case in developing countries, like China wherein, government is above law (Zhao, 2016), and more importantly, transactions are susceptible to the change of business ownership (ex: SOEs vs. POEs), rather than the contracted provisions (Lerner & Schoar, 2005). Put simply, despite the arguments of pros and cons, the core of network-based theoretical framework is to emphasize that, the role of government intervention is to facilitate the network of resource organization, integration and allocation, and to create market incentives instrumental to business decisions in terms of price and quantity, rather than to simply launch a policy or regulation as a mandatory blueprint to control or manipulate business development.

## THE NETWORK-BASED ENTREPRENEURSHIP IN THE CONTEXT OF CHINA POLITICAL-ECONOMIC SYSTEM

The network-based framework is to neutralize the polarized thinking. A dialectical mindset is the prerequisite or the fundamental threshold of scientific work, requiring researchers to possess

solid background knowledge in a synchronic and networked manner, rather than the isolated and lagged stereotype, to examine the mechanism of entrepreneurship in China. Otherwise, the success of China economy may be joked cynically in the prejudiced Western mindset as the second miracle of the victory of Beijing Consensuses over Washington Consensuses (the first miracle is the victory of Chinese army in Korean War).

The achievement of China 30-year economic reforms is the synthetic effect of a complex array of intertwined factors including but not limited to government intervention and institutional change (on the macro-environment and strategic level), and network-based seedling approach (on the corporate and entrepreneurial tactics and operations level). These factors must be taken into account proportionately, in order to objectively evaluate the success of China economic reform. To some scholars, such a success is only a quantitative measure of outcome, which would be relentlessly discounted when it comes to a qualitative evaluation (Gereffi, Wadhwa, Rissing, & Ong, 2008). In response, one of the objectives of this paper is to use China as a laboratory, by assuming its political, sociological, institutional, cultural systems and corporate governance relatively constant, to analyze the mechanism of China-way of entrepreneurship, evolved from the uniquely twisted and integrated, but dynamically diversified and globalized business environment, which is completely foreign to Western scholars.

From business environment perspective, democracy and legality are still at their infant stage in China, meanwhile, sociological, institutional and cultural settings are rapidly changing. Added to this is the autocratically structured political and social system in China, in which, government is the ultimate and sole decision-maker, and government intervention is the key force driving economic development. Therefore, isolating China economic reform from environmental factors is rootless (Naughton, 1994b; Steinfeld, 2002; Zhao, 2016), and purely pursuing the free market competition is not feasibly fit in China. Unfortunately, majority of previous literature heavily relied on Western framework of economics and business theories, to discuss the issues of financial liberalization, institutional development, property rights, soft-budget constraints, information asymmetries, corporate governance and entrepreneurship – all seems to have distanced or isolated from China politically-controlled business environment (Steinfeld, 2002). It is claimed that, examining China economic reforms through the conventionally stereotyped Western lens, and ignoring the peculiarity and particulars of China politically-controlled business environment is an epidemically pervaded prejudice in the existing literature. Most importantly, fail to acknowledge such a prejudiced-mindset may aggravate the already fragmented misconceptions, and further mislead the cognitive development on the increasingly diversified and globalized economic features (Zhao, 2016).

### Government Intervention and Seedling Approach – The Asian Model of Entrepreneurship

Network-based framework advocates that, government intervention can functionally act as a latecomers' catch-up strategy to facilitate the development of national innovation and industrial globalization (Amsden, 1989), and the transformation of manufacturing industries from OEM to OBM (Amsden, 2003). A seedling theory was proposed as a theoretical extension of government intervention, arguing that, in developing countries, government can function as an incubator to select a few indigenous firms, treat them as the seeds, and then, protect and nurture them by providing incentives such as trade tariffs, tax credits and subsidies, until they grow strong and large enough to conduct R&Ds and establish their own supply chains (Amsden, 2003). Thus, the combination of government intervention and seedling approach is the engine, consecutively and successfully jumpstarting the economic leapfrog of those Asian stars (Japan, South Korea and Taiwan), one after another with time intervals (See Table 17).

Table 17: Government Intervention, Seedling Model, and the Development of Entrepreneurship

Countries	Government Intervention and the Development of Entrepreneurship	Seedling Theory
Japan	<p>Since the end of World War II, the government of Japan has consistently, systematically and scientifically concentrated on the design and implementation of innovation policies to stimulate and incentivize the development of entrepreneurship and economic growth. The government of Japan has made a comprehensive effort in talents recruitments and strategic accumulation of intellectual assets including a highly trained and experienced bureaucratic leadership at the Ministry of International Trade and Industry. Technological breakthrough and high quality of products have been positioned as an ultimate priority of national policy to guide and promote industrial development and global market invasion (Johnson, 1982). In a sense, the government of Japan has been acting as an incubator of those global industrial giants like Toyota, the Honda, the Mitsubishi, the Mitsui, the Fujifilm, the Panasonic, and so forth.</p>	Yes
South Korea	<p>The government of South Korea after the peninsula war, has persistently held innovation and entrepreneurship as its national policy, and endeavored to stimulate corporate branding initiatives, mainly through the launch of incentive policies and significant subsidies to encourage corporate R&amp;D activities, leading to the emergence of quite a few rising stars or global leaders such as Samsung and LG in electronic appliance industry, and Hyundai and Kia, reputed as the power-to-surprise in global automobile industry, just to name a few. In the past few years, South Korea has been renowned as a country of reliable product quality, which enabled the nation to enjoy a strong sense of pride. Many business schools around the world have opened an entrepreneurship course to systematically study the fruitful achievement of South Korean model of entrepreneurship and economic leapfrog.</p>	Yes

Table 17: Government Intervention, Seedling Model, and the Development of Entrepreneurship

Countries	Government Intervention and the Development of Entrepreneurship	Seedling Theory
Taiwan	Tax breaks and R&D subsidies are two policies of Taiwan government in cultivating the development of indigenous industries, especially the small and medium enterprises. A typical example is the Taiwan semiconductor industry, an industry dominated by foreign companies before 1975, and then transformed into an internationally reputed Taiwanese industry due to the increased number of indigenous companies. Tatung for example, has managed to grow from small to large in size, and become able to enjoy economies of scale, and to develop managerial skills and R&Ds of its own, eventually allowing the company to outsource its low-margin manufacturing section to the low-cost facilities in China – all is indispensable from the bridging role of government in connecting Tatung to the globally networked production and trade chains.	Yes

Table 17 shows that, the combination of government intervention and seedling model can be an effective solution to balance the trade-offs between government macro-planning and market competition, and an effective economic catch-up model in promoting entrepreneurship and economic development in Asia countries (i.e. Japan, South Korea and Taiwan), wherein, Confucianism (君君臣臣父父子子, namely, let the king be a king, the courtier a courtier, let the father be a father, the son a son) is deeply rooted, both ethnically and culturally.

### Government Intervention, Seedling Approach and GPTNs – China-way of Entrepreneurship

Given the ethnically and culturally similar root, this paper proposes that, the development of entrepreneurship in China is an inherited and extended version of Asian model, namely, the network-based government intervention and seedling approach, along with the development of GPTNs (See Table 18).

Table 18: The Network-based China-way of Entrepreneurship

Factors	Descriptions of the China-way of Entrepreneurship
Government Intervention	The development of entrepreneurship in China is government oriented. Government intervention is the key factor leveraging the constraints of business resources, creating entrepreneurial opportunities, and facilitating the transformational mechanism of China economic system, from a centralized or planned to a decentralized or liberalized (Zhao, 2014). Combination of political decentralization and market liberalization determines the elasticity of resource-constraint (Guthrie, 1999; Rona-Tas, 1994).



Table 18: The Network-based China-way of Entrepreneurship

Factors	Descriptions of the China-way of Entrepreneurship
Seedling Approach	Seedling theory is used not only to rationalize the heroic role of government intervention in incubating a few rapidly mushroomed core industries and companies, and facilitating the economic leapfrog in Japan, South Korea, and Taiwan (Amsden, 2007), but also identified as the key driver of economic growth in China (Huang, 2008; Huang, Jin, & Qian, 2008; Tong, 2005; Zhao, 2016).
GPTNs & Guanxi Network	<p>The integrated GPTNs is recognized as an emerging but evolving force to the development of entrepreneurship in developed economies like the U.S. (Farh, Tsui, Xin, &amp; Cheng, 1998; Park &amp; Luo, 2001). Only when a market-selection mechanism is established and linked with GPTNs, can developing countries like China become able to tackle some problems deeply rooted in a centralized or planned economic system, such as government unfair resource allocation, soft-budget constraints, and so forth (Steinfeld, 1998):</p> <ul style="list-style-type: none"> <li>Added to the emerging GPTNs is the Guanxi network, which determines whether entrepreneurs and executives can capture business opportunities, improve business performance, and gain strategic competitiveness (Batjargal &amp; Liu, 2004; Licht &amp; Siegel, 2006; Peng &amp; Luo, 2000; Xin &amp; Pearce, 1996; Zhao &amp; Aram, 1995; Zhao, 2016). According to some scholars, Guanxi network with local or central government leaders, has been deemed as a measure of organizational capability in China, to overcome the intrinsic barriers such as resource constraints, financial hurdles, legal and institutional frictions (Li, Meng, Wang, &amp; Zhou, 2008; Zhao &amp; White, 2010; Zhao &amp; Zhang, 2016). In addition to political leaders, those social elites are also critical part of Guanxi network, contributive to the development of entrepreneurship (Walder 2002; 2003; Nee 1996).</li> <li>In China, political networking is the only way to access the timely sensitive insiders' information, and the most efficient and effective way to capture entrepreneurial opportunities and build social status and establish market reputation, at low cost and minimum degree of risk (Zhao &amp; Zhang, 2016). Therefore, investing in political networks is strategically a wise move to the development of business alliances and resources (Siegal, 2007), and the best practice in China for entrepreneurs and executives to become strategically preemptive in decision processes vital for their business to survive and grow (Zhao, 2016).</li> </ul>

Table 18 shows that the development of China-way of entrepreneurship follows the footprints of entrepreneurship in Japan, South Korea and Taiwan (Asian model). Similarity and disparity are natural twins. The pattern of China entrepreneurship seems similar at a glance, but substantially different from its predecessors. Given the identical nature of ethnical and cultural background, similarities include the public fanatic and obedience to government interventions (policies). Given the influence of U.S. over its Asian allies (Japan, South Korea, and Taiwan) in terms of political, legal, institutional and economical assimilations, and in contrast to the politically hostile

relationship between U.S and China, Disparities seem to be relatively complex, such as different political system, different availability of well-trained economic and business savvy in leadership and decision-making system. Additionally, the aggressive privatization and the free market lassie faire practices in market reforms during the past 30 years, in conjunction with the feudalistic and bureaucratic systems deeply rooted in its political, social and cultural systems, and perhaps in behavioral norms – all has led to the formation of corrupted career bureaucrats, namely, the networked chain of beneficiaries in China.

Based upon the principle of seeking common ground while reserving differences, this paper argues that, the transitional trend from global production network (GPN) to global trade network (GTN), and the historically inherited political system, makes the China-way of entrepreneurship an extension of Asian model. From the network-based point of view, government intervention combined with guanxi network has cultivated and incubated one after another entrepreneurial stars (seeds), some of which have already been listed as fortune 100 and 500.

## CONCLUSIONS AND RECOMMENDATIONS

This paper reviews the three-staged process of the development of entrepreneurship in line with the succession of political power shift since the founding of P.R. China (1949-1978, 1979-1989, post-2000). This paper also demonstrates and analyzes the impacts of government policies (both merits and demerits) on the development of entrepreneurship, and finds that, the dual-track policy is the most influential and effective policy throughout the history of China 30-year economic reformation and industrialization. Chronologically (See Table 1, 2, 3, and Figure 1) and dialectically (See Table 4, 5, 6, 7, 8, 9, 10), government intervention has been, consistently and incessantly, the core controller of the development of China-way of entrepreneurship – the Chintrepreneurship, which is accordingly classified into three types, evolving from survival-based or policy-led, through opportunity-oriented or network-led, to innovation-driven or technology-led (See Table 11, 12, and Figure 2). Such a taxonomical approach explains and rationalizes logically and objectively that, government intervention has dualistically functioned as both a facilitator and a barrier of the formational mechanism and peculiarity of China-way of entrepreneurship (See Table 13 and 14).

The results of evolutionary and dialectical review enables this paper to call for a paradigm shift, from polarized to de-polarized mindset, in order to theorize the mechanism of government intervention dominated China-way of entrepreneurship, in response to the increasingly globalized trend of conceptual transformation, from Washington Consensus to Beijing Consensus (See Table 15 and Figure 3). To this end, this paper proposes the network-

based framework (aka: the neo-classical framework of economics), and aims to theoretically rationalize how the internal factors (sociology, institutions, resource allocation, and seedling approach) in conjunction with the external factors, namely the GPTNs (the merger of GPNs and GTNs), have guided China to become a follower of Japan, South Korea and Taiwan, in terms of their respective way of entrepreneurship, or, an extension of Asian model of entrepreneurship, due to their commonly shared ethnical and cultural root (See Table 16, 17 and 18).

### **Does Entrepreneurship Exist in China?**

The cognitive path must be established on the base of dialectical view. Entrepreneurship is genetically embedded in, and cannot be eradicated from any society as long as economical activities exist. Despite that China is a society, politically tinged with autocracy, bureaucracy and cronyism-based chain-of-beneficiaries, entrepreneurship indeed exists in China, but in a peculiar form, different from the one defined in the Western framework of entrepreneurship. It is argued that, since the inception of government-led economic reformation in 1978, China has been evolving into an incubator or a burgeoning pool of talented entrepreneurs (Murray & Spar, 2006; Zhao & Zhang, 2016). To this end, government is the riverbed or the fountain of entrepreneurial opportunities, while, government intervention is the mechanism of cultivating and nurturing the development of the China-way of entrepreneurship through the globally networked production and trade chains. The first and foremost priority of entrepreneurs in China, is to learn and adapt into such a society, and able to transform the perceived political, institutional and legal obstacles into business resources and opportunities, rather than to treat them as business barriers. This is why, the impact of government intervention on the development of entrepreneurship in China is far beyond Westerners' knowledge domain, and that, up to the present time, Western executives and scholars even refuse to acknowledge their cognitive failures on the fact that, the real competitor of FDIs in China is the government, rather than those indigenous business firms (Zhao & Zhang, 2016). 以卵击石(YiLuanJiShi), a Chinese proverb may best describe such a naive but sarcastic situation that, the outcome of a company competing with the government of a big country like China is no difference with the outcome of using an egg to hit a rock. Such a cynical and ironical situation may best explain the quasi- or pseudo- nature of China-way of entrepreneurship (Zhao, 2016), too fragile and susceptible to moral, ethical and even criminal activities (ex: corruptions), while, too stubborn and difficult to change in a short period of time.

The result of a national survey from 2324 POEs conducted by Chinese Academy of Social Sciences in collaboration with the United Front Work Department of the Central Committee of China Communist Party, shows that, controlling certain variables, entrepreneurs

having communist membership identity are more confident to China political, institutional, legal and social systems, more likely to obtain loans and government sponsored projects, and more successful to guide firms to create profitability, than those entrepreneurs without communist identity (Li, et al., 2008). Relying on resource dependency theory, some scholars empirically tested the impact of institutional system on innovation, entrepreneurial strategies and business performance of 184 firms in China IT industries, and found that, the performance of innovation and entrepreneurship is contingent upon institutional settings and resource availability, the higher level of institutional turbulence with higher resource availability, the higher degree of CEOs' confidence and expectation over their entrepreneurial strategies and performances (Li & Atuahene-Gima, 2001). Despite the research design weakness, which may have discounted their validity and reliability, however, Li and Atuahene-Gima (2001) have indirectly strengthened the confidence to the fact that, in China, the government holds the ultimate and absolute control over resource allocation. The politically-controlled public media system enables government to intervene and manipulate market demand and supply through opportunistic or speculative policies, and to mislead the development of production and trade networks (Naughton, 1994a). Consequently, many business upstarts (entrepreneurs) especially in IT-industries are either the spinoffs of SOEs, or the derivatives government agencies and academic institutions. Put differently, most, if not all of those rapidly emerged and expanded firms in China are seeded by government intervention, and nurtured through the process of GPTNs. They operate their businesses using the assets, resources and incentive packages authorized by the government. To some scholars and by Western conceptual standards, they are more qualified as opportunists, rather than entrepreneurs, or, the so-called China-way of entrepreneurship is at most, qualified as the quasi-entrepreneurship (Segal, 2002) or the pseudo-entrepreneurship, resulted from the peculiarity of China political controlled economic and business environment (Zhao, 2016).

The evidences and the analytical results support a conclusion that, the answer to 'does entrepreneurship exist in China?' is 'YES'. An old proverb 'better to be a chicken's head than a phoenix's tail (宁为鸡头,不为凤尾)' may be used to explain the historically endowed entrepreneurial spirit of Chinese people. The desire to be one's own boss, and the pertinent understanding and belief that 'there is nothing that you cannot do, and only something that you cannot think of' – have already quietly and pervasively become a fashion style of expressing his/her cravings for entrepreneurship. To this end, the framework of China-way of entrepreneurship proposed in this paper shakes the foundation of Western framework of management and serves to fill the imperative need to upgrade the existing theoretical framework. Tactically, the China-way of entrepreneurship is opportunism, imitation and low

marginal price oriented disruptive approach (Zhao, 2013; 2014; Zhao & Zhang, 2016). Strategically, it is the cronyism-networked effects of government intervention and seedling approaches. Put together, they form the developmental mechanism of the China-way of entrepreneurship – Chintrepreneurship (see Figure 4).

Figure 4: The Model of China-way of Entrepreneurship -- CHINTREPRENEURSHIP



### The Network-based Framework in Explaining the China-way of Entrepreneurship

In addition to the internal forces of government intervention and seedling approach, the successful journey of China-way of entrepreneurship should not be excluded from the external contributions of the rapidly networked global environment. Internally, government interventions through policies and regulations, although discriminatively in favor of SOEs, have made indelible contribution not only to the revitalization of entrepreneurship (Kynge, 2000; Zhao & Zhang, 2016), but also to the transformation of China politically controlled economic system, from centralized to decentralized (Liao & Sohmen, 2001). It seems ironic, embarrassing and perhaps chastising to the standpoint of Western framework of economics and management that, innovation and entrepreneurship can neither be fertilized, nor be nurtured within an autocratic and bureaucratic system. Instead, they only thrive the best, from bottom-up rather than top-down, from a democracy, moneyocracy and a market system that is unfettered from government intervention and manipulation. Facts speak louder than words. The historically peaked spirit of entrepreneurship, the rise of privately-owned global IT-giants such as Alibaba, Tencent, Xiaomi, in conjunction with thousands of small-medium start-ups one after another – all is indisputably attributed to the seedling approach of China autocratic and bureaucratic government system.

Externally, the rapidly boomed global high tech, particularly the internet technology, has been jumpstarting the development of entrepreneurship and economic growth in China. Specially note that, those ethnically and culturally identical FDIs from Taiwan, Hong Kong, and Singapore have played an invaluable and irreplaceable roles not only in guiding and facilitating

the formational mechanism of government intervention and seedling approach to the development of indigenous entrepreneurship in mainland China, but also in preaching and promoting the globally standardized management principles, such as contract enforcement and intellectual resource development (Huang, 2008; Huang, Jin, & Qian, 2008; Tong, 2005). For example, in competing for those overseas Chinese talents to return and serve the country, government has executed a series of policies, not only incentive moneywise, but also politically and ethnically far beyond any individual corporate competitiveness. According to China Daily, overseas returnees with entrepreneurial plans are promised to receive incentives including not only financial aid of initial fund grants, income tax exemption for three years and another three years of reduced taxes, and the first two years free rent of office space, but also hard-to-refuse monetary compensation, housing rewards, family residency authorization (i.e. HuKou system, a household registration system restricting the mobility of people), children education, and most importantly, political privileges and social reputations, and so forth (Agence France Presse, 1999).

Ideologically and perhaps a bit of sarcastically, private ownership and profit-seeking are contradictory, conflicting and erosive to the political bottom line of a Communist state. Understanding such a politically dilemmatic situation determines the understanding of the developmental mechanism of entrepreneurship in China, and then, complements and enriches the existing domain of management theories. Following this line of argument, the top challenge that China has been and will be continuously encountering is whether China is able to organically transform and incorporate its politically controlled economic system into its plotted macro-transition, from state capitalism to economic capitalism, letting market to leverage business rather than a few political elites to manipulate business. From the perspective of network-based framework, such a transition is largely relied on the next round of political and social reforms, which in turn, will determine whether China is able to stimulate and achieve its expected transition, from an imitation-based manufacturing economy to an innovation-oriented service economy, from an OEM economy to an OBM economy, from a lower-end value chain economy to a higher-end value chain economy.

Ecologically, economy by nature evolves in a market oriented system, in which, innovation and entrepreneurship are genetically inseparable, interacting, interdependent and complementary, in a metabolically balanced, democratically decentralized, and capitalistically diversified economic system. This is the essence of the network-based neo-classical framework of economics in explaining the ecologically structured relationship between innovation/entrepreneurship and economic growth. However, democracy is the weakest link in China, wherein, the communism-centered monarchy system constitutes its political,



sociological, ideological and economical infrastructures, aiming to pursue a centralized, unified and planned market economy, namely, the peculiar way of China socialistic market economy. How such a historically and culturally inherited autocratic system can lead China to become the world 2<sup>nd</sup> economy in contemporary age, is beyond the knowledge domain of not only those Western scholars, but also Chinese scholars and policy makers at the central government of China. The network-based framework serves to unfold such an emerging but challenging economic phenomenon, and to cognize the ecological mechanism of China-way of entrepreneurship and economic development in the context of diversified and globalized business environment. Stated once more, the time of using a single blueprint to linearly foresee all the contingencies within the God-given eco-system is over.

### **Suggestions for the Sustainable Development of Entrepreneurship in China**

Given the undaunted spirit of endurance, resilience, resourcefulness and diligence of Chinese people, if, and only if, China is able to maintain its political stability and economic reforms in parallel with the evolution of global communication, technology, education, value system, then, and only then, the government autocracy and bureaucracy is expected to be diluted, the model of China-way of entrepreneurship is expected to be sustained, and the unpredictable outcome is expected to be yielded, one after another in the years ahead (See Table 19):

Table 19: Suggestions and Recommendations for the China-way of Entrepreneurship

<b>Factors</b>	<b>Descriptions</b>
Education	Improving education is an irreplaceable approach to cultivating public cognition on the role of entrepreneurship in economic system. It is perhaps, the most effective solution to overcome or alleviate many of those existing barriers in the development of entrepreneurship in China.
To Foreign Entrepreneurs (FDIs)	<p>Understanding the mechanism of government intervention is the priority of FDIs in China. A pre-designed exit plan should be prepared and integrated into FDIs' overall strategy, in order to avoid or minimize unnecessary loss resulting from those unpredictable contingencies. Overly optimistic and confident to their advanced technological and managerial competitiveness are believed as the root cause of those FDIs failures, which may be used as bloody examples or harsh lessons of the severe consequences of their naiveness on the role of government intervention. Their losses (financial investments, knowledge spillovers, technology transfer, as well as their inputs in market development), made them being deemed sarcastically as voluntary coaches to help China economic development<sup>[xi]</sup>. A traditional Chinese proverb may be used to describe such an ironic situation: 给他人做嫁衣, namely, weaving a wedding dress for others (Zhao, 2016):</p> <ul style="list-style-type: none"> <li>● In automotive industry, some foreign companies (ex: Peugeot Citroen, Nissan), rushed into</li> </ul>



Table 19: Suggestions and Recommendations for the China-way of Entrepreneurship

Factors	Descriptions
	<p>and withdrew from China market – all happened in less than a decade period, after exhausting their respective efforts in investments, knowledge spillover and technology transfer to their counterparts, namely those indigenous firms (Liao &amp; Sohmen, 2001).</p> <ul style="list-style-type: none"> <li>• In IT-industry, due to the differentiated stance on human rights (i.e. freedom of speech), Google and Yahoo were ruthlessly kicked out, leaving their investment, knowledge spillover and technology transfer in China, giving those indigenous imitators (Baidu, Alibaba, Tencent and so forth) an opportunity to grow, expand, and eventually, dominate China IT-market.</li> </ul>
To Indigenous Entrepreneurs	<p>To those indigenous firms (entrepreneurs), the challenge is also unprecedentedly unpredictable. After becoming the market leaders in China, these indigenous entrepreneurs are forced to transform from imitators to innovators. Such a transition seems to be their life-or-death choice, either becoming strategically proactive, preemptive, innovative and competitive, to creep toward higher end of value chain (Liao &amp; Sohmen, 2001), or, continuing to remain as imitators or market followers, to struggle at the lower end of value chain (Zhao, 2016).</p>
To the Government of China	<p>The transition from labor intensive to service and consumption intensive is likely to make China economy more technology and innovation intensive, than resource consumption intensive; more quality and cost sensitive, than quantity and price sensitive. Therefore, a radical reform of financial infrastructure is expected as a solution to incentivize, stimulate and promote the next round of innovation oriented entrepreneurship in China<sup>[xii]</sup>.</p>

Despite the suggestions and recommendations listed in Table 19, whether the China-way of entrepreneurship can be duplicated and applied as other developing countries' catch-up model, is perhaps, an interesting research topic for future empiricist and theoreticians to explore.

### **New Challenges, New Opportunities, New Round of Entrepreneurship**

Indeed, China has absorbed and accumulated significant practical experiences and economic reserves through its 30-years' economic reforms. Nonetheless, the country is now facing a series of unprecedented challenges, placing the country at an unprecedented and perplexed turning point. The exponentially soared overall cost of doing business in China, the rapidly emerged other cost competitive countries or regions combined with the global boycott against the low-quality of Made-in-China products – all has resulted in a large number of OEMs either bankrupted, or relocated elsewhere from China. The obligations committed to the WTO, the brain drain and assets drain, as well as the frustration and disillusion of public mentality stemmed from political rather than legal campaign of anti-corruption – all is, and will be the ordeals to the development of China-way of entrepreneurship. Notwithstanding, new challenges

breed new opportunities, and hopefully, bring about a new round of entrepreneurship. Most importantly, this paper welcomes critiques so that an overarching theoretical model can be established to guide and contribute to the development of entrepreneurship in those developing countries.

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## ENDNOTES

<sup>i</sup> International Intellectual Property Alliance (IIPA), 2012 Special 301 Report on Copyright Protection and Enforcement, pages 29-56, accessible at [http://keionline.org/sites/default/files/iipa\\_Special301\\_21feb2012.pdf](http://keionline.org/sites/default/files/iipa_Special301_21feb2012.pdf)

<sup>ii</sup> Interview with a senior administrator at Tax Bureau of Central Government in 2006, less than 1% of working capital loans were assigned to the private sector in 1999

<sup>iii</sup> A term used by Lei Fu, an Interviewee.

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<sup>iv</sup> Interviewed with Prosecutor in Chief, at the supreme prosecuting bureau, Xinjiang, on the 27<sup>th</sup>, 2008 – Enforcement is extremely weak, and most, if not all, judges are ex-army officers without legal training.

<sup>v</sup> A comment from a Chinese interviewee, a successful entrepreneurial businesswoman.

<sup>vi</sup> A comment from a Chinese interviewee, a business manager, on the subject of entrepreneurship.

<sup>vii</sup> A comment from an American interviewee, a business manager, on the subject of entrepreneurship

<sup>viii</sup> A speech given by Mr. He, a senior economic analyst from the State Development and Planning Commission, on 20<sup>th</sup> June, 2015.

<sup>ix</sup> Ibid

<sup>x</sup> The source is accessible at company's website: <http://www.sina.com>.

<sup>xi</sup> Ibid.

<sup>xii</sup> Mr. Kong commented during a seminar hosted by policy research center of the state development and planning commission on 19<sup>th</sup>, Dec. 2015.