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NOTE DE L'ÉDITEUR

Translated from the French original by Philip Liddell

- 1 This book, edited by Barbara Krug and devoted to the first generation of entrepreneurs since the reforms, is largely inspired by the New Institutional Economics. It brings researchers in management and economics into association with political scientists. All the contributions examine the characteristics of the business system¹ adopted by China's evolving economy, and aim at an understanding of the nature of the organisational forms being put in place there. As a group, the writers share two hypotheses : that the emergence of the business system is a process, which implies that the analysis is dynamic ; and that the participants in its construction are diverse : entrepreneurs, firms, government representatives. This requires an analysis based both at the individual level—understanding the participants' intentions—, and at the corporate level—the co-ordination of individual actions.
- 2 Almost all the writers are careful to found their enquiries on field studies. As Barbara Krug points out in a methodological afterword, if one limits oneself to the available quantitative data, one runs the risk of taking as fact what is no more than a fleeting reality, a snapshot based on imperfect statistical concepts. The writers, rather than turning to China theories and models drawn from elsewhere, begin their research with empirical questions : how does an individual create an enterprise ? How does an entrepreneur interact with his environment ?

- 3 Rather than starting off with the demographic characteristics of the firms—forms of ownership, size, sector of activity, position in the market—as it is usually done in work devoted to the Chinese economy and the theory of organisations, the writers are concerned with the real conditions in which enterprises were created and with the entrepreneurs' intentions. The enterprise is thus captured in its cultural and social context². Five of the book's eight chapters are based on three surveys carried out in 1999, 2000 and 2001 in the provinces of Shanxi, Zhejiang and Jiangsu, in a total of 74 enterprises (more than 200 questions were put to each person interviewed).
- 4 Four conclusions are worthy of note. Firstly, in an environment in mid-transition between the state plan and the market, enterprises have to be understood mainly as structures in a dynamic process. For example, enterprises often change their legal status and form of ownership, and this is apart from any consideration of their performance. The "privatisation" of collective enterprises is a well-known phenomenon. Often, they also change their field of activity. Barbara Krug and Laszlo Polos write about an entrepreneur who began by opening a restaurant before embarking on coal extraction and then on steel production (p. 82). An entrepreneur's chances of success depend very much on what was produced before the firm was created (p. 63), hence the need to look into its history. Whereas neo-classical theory assumes that an enterprise is defined in terms of its production and according to exclusively economic factors, in the case of China the question of what is produced appears secondary. The level of profits and productive activity are, in China, very largely governed by the individual characteristics of the entrepreneur and of the local environment (p. 62).
- 5 The choice of industrial sector is not a condition for success or failure, whereas all markets are characterised by a surplus of demand compared with supply. Far more crucial is the quality of the associated partners and the managers. The failure to acquire know-how or technology is offset—and sometimes entirely compensated for—by having good connections with local and central political leaders. That is the book's second important conclusion : the necessity for an alliance between entrepreneurs and bureaucrats. Barbara Krug and Judith Mehta suggest that a Chinese firm is defined, not by what it produces, but by its network of alliances (Chapter 2 : "Entrepreneurship by alliance"). It is the relations with local government and public agencies that ensure the protection of the property rights. In the absence of institutionalised regulatory mechanisms, the strategic factor for success is not choosing the industrial sector but choosing the right people, inside and outside the firm. In China, entrepreneurship does not depend on an individual's faculty for identifying opportunities for profit but on "the ability to form an alliance" with those who possess or control financial or physical resources, or the human capital necessary for entering a market. Why would we not find in China the same collaboration that has come about in Russia between enterprises and the mafia ? Krug and Mehta put forward a series of hypotheses and stress the diversity of possible alliance networks.
- 6 A firm may call upon a range of networks, varying according to the institutional environment, the time and the location, and the interests in play. In this regard, several contributors show that families or family networks do not play any major or lasting role within enterprises. Several cases are cited where entrepreneurs may admittedly have borrowed from their parents, but have hastened to pay off these loans. Several informants declare that their families have been of little help to them, while

some assert that they have taken great care to exclude their parents from their business affairs (p. 100). This finding appears to invalidate the idea that, when entrepreneurs face an uncertain environment, they mainly rely on their family networks. In fact, a survey (reported on in Chapter 5 by Hans Hendrichske) carried out in the province of Zhejiang shows that, there too, a dynamic process is underway; enterprises have recourse to different types of networks at times and with motives that are quite separate. Family is only one of the available networks.

- 7 All the writers emphasise the non-economic factors involved in production. On this subject, the contribution by David S G Goodman is especially innovative (Chapter 7, entitled "Localism and entrepreneurship : history, identity and solidarity as factors of production"). On the basis of a survey in Shanxi province, he shows how a discourse on the province's identity is at the heart of the local authorities' development strategy. This discourse, elaborated following the arrival of a new Provincial Secretary of the CCP in 1992, has the aim of encouraging local entrepreneurs to invest in the province. While funding from central government is in decline, this "localist discourse" and the local authorities' drive to build up a new provincial identity are part of a medium and long-term strategy for mobilising the resources available on the spot.
- 8 Clearly, the book is not without its faults. While some writers deal with entrepreneurial activity in general, others concentrate more strictly on private (or near-private) entrepreneurs. But, in disciplines (management and economics) where analysis too often consists in measuring the gap between the abstract norm and the observed reality, this book opens up stimulating perspectives for research. It is a salutary and successful analysis, in which theory is founded upon research.

NOTES DE FIN

1. See Richard Whitley, *Divergent Capitalisms : The Social Structuring and Change of Business Systems*, Oxford, OUP, 1999.
2. Mark Granovetter, "Economic Action and Social Structure : the Problem of Embeddedness", in Mark Granovetter and Richard Swedberd (eds.), *The Sociology of Economic Life*, Boulder, Westview Press, 1992, pp. 53-81.